IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON TEXAS

IN RE:

SBMC HEALTHCARE, LLC	**§**	**CASE NO. 12-33299-4-11**
	§	**Chapter 11**
DEBTOR	**§**	**HON. JEFF BOHM**
	§	

DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT FOR DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION

Dated: March 7, 2013

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DISCLAIMER

THIS DISCLOSURE STATEMENT (THE "DISCLOSURE STATEMENT') AND ITS RELATED DOCUMENTS ARE BEING USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING THE CHAPTER 11 PLAN FOR SBMC HEALTHCARE, LLC ("SBMC" OR THE "DEBTOR"), DATED MARCH 7, 2013 (AS MAY BE FURTHER AMENDED, THE "PLAN") PROPOSED BY THE DEBTOR. YOU WERE PREVIOUSLY MAILED A PACKET CONTAINING A COPY OF THE:

1. ORDER APPROVING DISCLOSURE STATEMENT AND FIXING TIME FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN AND NOTICE OF HEARING (FOR FEBRUARY 27, 2013);
2. DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT FOR DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION;
3. DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION; AND
4. BALLOT FOR ACCEPTING OR REJECTING PLAN OF REORGANIZATION (BY FEBRUARY 18, 2013).

YOU MAY HAVE CAST A BALLOT ON THE DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION. CIRCUMSTANCES HAVE CHANGED THAT CAUSED THE DEBTOR TO AMEND ITS PLAN OF REORGANIZATION. THE BANKRUPTCY CODE REQUIRES THAT ANY AMENDMENT TO SBMC HEALTHCARE, LLC'S SECOND AMENDED PLAN OF REORGANIZATION BE RE-NOTICED TO CREDITORS AND PERMITS RE-SOLICITATION OF BALLOTS.

THE NEW PACKET DELIVERED TO YOU CONTAINS A COPY OF THE FOLLOWING:

1. DEBTOR'S THIRD AMENDED DISCLOSURE STATEMENT FOR DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION;
2. DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION;
3. BALLOT FOR ACCEPTING OR REJECTING DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION (BY MARCH 18, 2013); AND
4. ORDER: (I) GRANTING MOTION TO CONTINUE PLAN CONFIRMATION HEARING; AND (II) SETTING DEADLINES ON ALL PLANS AND DISCLOSURE STATEMENTS.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE CHAPTER 11 CASE AND FINANCIAL INFORMATION. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN OR SUCH STATUTORY PROVISIONS, DOCUMENTS OR FINANCIAL INFORMATION THAT RELATE TO AND/OR AFFECT THE PLAN AND ITS POTENTIAL CONFIRMATION, BUT IS RATHER INTENDED ONLY TO AID AND TO SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED PROVISIONS SET FORTH IN THE PLAN (WHICH IS ATTACHED HERETO AS EXHIBIT A). IN THE EVENT OF A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN SHALL GOVERN. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS IN VOTING CLASSES ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN

AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS ATTACHED HERETO, BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE SOLICITATION PERIOD PURSUANT TO THIS DISCLOSURE STATEMENT WILL EXPIRE AT 5:00 P.M. (CENTRAL TIME) ON MARCH 18, 2013 (THE "VOTING DEADLINE"). TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED IN ACCORDANCE WITH THE VOTING INSTRUCTIONS BY DEBTORS' COUNSEL ON OR BEFORE THE VOTING DEADLINE, PLEASE SEE SECTION I.B OF THIS DISCLOSURE STATEMENT FOR VOTING INSTRUCTIONS. BALLOTS WILL BE ACCEPTED VIA US MAIL, FACSIMILE OR ELECTRONIC MAIL. THE COURT HAS SET THE HEARING ON CONFIRMATION OF DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION FOR MARCH 26, 2013 AT 10:00 O'CLOCK A.M. IN COURTROOM 600, 6TH FLOOR, U. S. COURTHOUSE, 515 RUSK AVE., HOUSTON, TEXAS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE BANKRUPTCY RULES AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAW OR OTHER NON-BANKRUPTCY LAW. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED AS AN ADMISSION, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING.

IF THE BANKRUPTCY COURT CONFIRMS THE PLAN AND IT BECOMES EFFECTIVE, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS (INCLUDING THOSE WHO REJECTED OR WHO ARE DEEMED TO HAVE REJECTED OR ACCEPTED THE PLAN AND THOSE WHO DID NOT SUBMIT BALLOTS TO ACCEPT OR TO REJECT THE PLAN) SHALL BE BOUND BY THE TERMS OF THE PLAN.

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TO THE HONORABLE JEFF BOHM, CHIEF UNITED STATES BANKRUPTCY JUDGE:

SBMC Healthcare, LLC ("Plaintiff" or "SBMC") files this its Debtor's Third Amended Disclosure Statement for Debtor's Third Amended Plan of Reorganization as follows:

I. INTRODUCTION

A. General

SBMC Healthcare, LLC ("SBMC" or "Debtor") filed its petition for relief under chapter 11 of Title 11 of the United States Code (as amended the "Bankruptcy Code") on April 30, 2012 (the "Petition Date").

The Debtor submits this amended disclosure statement (this "Disclosure Statement") pursuant to Section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Debtor's First Amended Plan of Reorganization (the "Plan"). A copy of the Plan is attached as **Exhibit A** to this Disclosure Statement. All capitalized terms not otherwise defined in this Disclosure Statement shall have the meanings set forth in the Plan.

This Disclosure Statement sets forth certain information regarding the Debtor's prepetition operating and financial history, its need to seek chapter 11 protection, significant events that have occurred during its chapter 11 case, and the alternatives for either the liquidation or reorganization of the Debtor under the Plan. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, the effect of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Interests entitled to vote under the Plan must follow for their votes to be counted.

B. Voting Instructions and Procedures

1. Prior Votes on Debtor's Second Amended Plan of Reorganization

Previously, the Debtor solicited votes on its Second Amended Plan of Reorganization ("Second Plan") [Docket No. 824]. Those ballots and votes on the Second Plan were due by February 18, 2013 and were received by the Debtor. However, on February 26, 2013, the Court held a hearing on continuance of the confirmation hearing of the Second Plan. At that hearing, the Court approved a continuance of the confirmation hearing due to the Debtor's ongoing negotiations with the 3rd Best Bidder to purchase the Hospital and for other reasons and granted the Debtor and any party in interest the right to file a plan of reorganization, or amend same as necessary. The Debtor determined that it needed to modify and amend its Second Plan and re-solicit votes on the new Plan, again as required under the Bankruptcy Code. Thus, if you previously cast a ballot and you do not want to change your vote, your ballot will be counted as accepting or rejecting this Plan. However, if you do want to vote again, and the Debtor strongly urges you to vote to ACCEPT the Plan or if you have not previously voted, in order to have your Ballot counted, you must complete the Ballot and vote to accept or reject the Plan.

Of the Ballots received by February 18, 2013 casting votes on the previous Plan, Classes 1, 10 and 11 voted to accept the Plan. Debtor carried Class 13, the unsecured creditor class, by a substantial number of votes, but received only 64% rather than 66 and 2/3% in amount of the claims for which votes were cast. Your vote is important and affects what you as a creditor may receive for your Claim. Therefore, the Debtor urges you to vote to ACCEPT the Plan.

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2. Voting Procedures, Ballots and Voting Deadline

With respect to Classes of Claims and Equity Interests that are Impaired under the Plan, each holder of an Allowed Claim or Interest in such a Class will receive this Disclosure Statement, the order approving the Disclosure Statement, the Plan, the notice of Confirmation Hearing and a Ballot for voting the acceptance or rejection of the Plan (unless deemed to reject the Plan).

Under the Plan, all holders of Claims against the Debtor in Classes 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13 (the "Voting Classes") are Impaired and entitled to vote on the Plan except a determination of whether a Class accepts the Plan may not include the vote of any insider. Holders of Interests in Class 3 and 14 are Unimpaired under the Plan and deemed to have accepted the Plan. For a description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Article VI, Treatment of Classes of Claims and Equity Interests.

Only Persons who hold Claims or Equity Interests on the Record Date (as defined below) are entitled to receive a copy of this Disclosure Statement. Only Persons who hold Claims in the Voting Classes on the Record Date are entitled to vote on whether to accept the Plan.

Separate pre-addressed return envelopes have been supplied for the Ballots. Holders of Allowed Claims and Allowed Equity Interests in the Voting Classes should take care to use the proper pre-addressed envelope to ensure that Ballots are returned to the proper address. PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED

BALLOT. ALL VOTES TO ACCEPT OR TO REJECT THE PLAN MUST BE CAST BY USING THE BALLOT ENCLOSED WITH THIS DISCLOSURE STATEMENT. In order for a Ballot to be counted, it must be completed, signed and sent to Counsel for the Debtors (the "Balloting Agent") **so as to be received by the Voting Deadline (5:00 p.m. Central Time on – March 18, 2013** at the following address:

Sara M. Keith
Johnson DeLuca Kurisky & Gould, P.C.
4 Houston Center
1221 Lamar, Ste. 1000
Houston, Texas 77010
Facsimile: (713) 652-5130
Email: skeith@jdkglaw.com

If you are a holder of an Allowed Claim or Allowed Equity Interest in a Voting Class and (i) did not receive a Ballot, (ii) received a damaged Ballot, (iii) lost your Ballot, (iv) have any question about balloting procedures, or (v) wish to obtain, at your own expense, (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan or this Disclosure Statement, please contact:

Sara M. Keith
Johnson DeLuca Kurisky & Gould, P.C.
4 Houston Center
1221 Lamar, Ste. 1000
Houston, TX 77002
Telephone: (713) 652-2525

ONLY PROPERLY COMPLETED AND SIGNED BALLOTS RECEIVED BY THE BALLOTING AGENT PRIOR TO THE VOTING DEADLINE WILL BE COUNTED FOR PURPOSES OF DETERMINING WHETHER EACH VOTING CLASS HAS ACCEPTED THE PLAN. ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTOR. BALLOTS RECEIVED BY FACSIMILE OR ELECTRONIC MAIL WILL BE COUNTED.
The Debtor will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Plan.

Your vote on the Plan is important. The Debtor urges you to support and vote for the Plan. The Bankruptcy Code requires as a condition to confirmation of a plan that each class that is impaired under such plan vote to accept such plan, unless the "cram down" provisions of the Bankruptcy Code are satisfied. *See* Section V.D.4 "Cram Down" herein.

3. Voting Record Date

The record date for voting on the Plan is 5:00 p.m. (prevailing Central time) on March 18, 2013 (the "Record Date"). Only holders of Claims and Equity Interests in the Voting Classes as of the Record Date are entitled to vote to accept or reject the Plan.

4. Incomplete Ballots

Any Ballot received that is not signed or does not indicate either an acceptance or a rejection of the Plan shall be an invalid Ballot and shall not be counted for purposes of determining acceptance or rejection of the Plan.

5. Defects, Irregularies, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding. Unless the Ballot being furnished is timely filed by the Voting Deadline, together with any other documents required by such Ballot, the Debtor may reject such Ballot as invalid and, therefore, decline to use it in connection with seeking confirmation of the Plan by the Bankruptcy Court. In the event of a dispute with respect to a Ballot, any vote to accept or reject the Plan cast with respect to such Ballot will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise. The Debtor reserves the right to reject any and all Ballots not in proper form. The Debtor reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Debtor, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with delivery of a Ballot must be cured within the time as the Debtor (or the Bankruptcy Court) determine. Neither the Debtor nor any other person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failing to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived.

6. Withdrawal of Ballot

All properly completed, valid Ballots will be irrevocable upon the Voting Deadline. Prior to the Voting Deadline, any holder of a Claim who has delivered a valid Ballot may withdraw its vote by delivering a written notice of withdrawal to the Balloting Agent so as to be received by the Balloting Agent before the Voting Deadline. To be valid, the notice of withdrawal must (a) describe the Claim to which it relates, (b) be signed by the party who signed the Ballot to be revoked, and (c) be received by the Balloting Agent by the Voting Deadline. Withdrawal of a Ballot can only be accomplished pursuant to the foregoing procedure. Prior to the Voting Deadline, any holder of a Claim who has delivered a valid Ballot may change its vote before the Voting Deadline. In the case where more than one timely, properly completed Ballot for the same Claim(s) is received by the Voting Deadline, only the Ballot that bears the latest date will be counted. After the Voting Deadline, a vote of the holder of a claim may only be changed or withdrawn with the authorization of the Bankruptcy Court upon a showing of "cause" pursuant to Bankruptcy Rule 3018(a).

C. Confirmation Hearing and Summary of Plan

The Debtor is still maintaining and operating the Hospital for purposes of sale of the Hospital. The Debtor retained the firm Transwestern Property Company SW GP, L.L.C. d/b/a Transwestern to aid the Debtor in marketing the Hospital to qualified purchasers. The Plan proposes that the Property including the Hospital and Assets be sold on or before a date certain, April 14, 2013 or the Property is to be transferred and conveyed to a Liquidating Trust for marketing of the Property for sale, liquidation of the Assets and distributions to Creditors holding Allowed Claims.

The Bankruptcy Court will hold a hearing on confirmation of the Plan (the "Confirmation Hearing") commencing at 10:00 a.m. prevailing Central time on March 26, 2013 before the Honorable Jeff Bohm, Chief United States Bankruptcy Judge for the Southern District of Texas, Houston Division, Courtroom 600, 515 Rusk Avenue, Houston, Texas 77002.

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. The Confirmation Hearing may be continued from time to time as necessary. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the requisite votes have been obtained for each of the Voting Classes, (ii) hear and determine objections, if any, to the Plan and to confirmation of the Plan that have not been previously disposed of, (iii) determine whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) determine whether to confirm the Plan.

Any objection to confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objections must be filed and served upon the Persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described therein.

D. Recommendation of the Debtor

The Debtor recommends that holders of Claims entitled to vote on the Plan vote to **ACCEPT** the Plan.

II. CERTAIN EVENTS PRECEDING THE DEBTOR'S CHAPTER 11 FILING

A. Business, Corporate and Financial Overview

SBMC is a Texas limited liability company that was formed on October 19, 2010. The Manager of SBMC Healthcare, LLC is McVey & Co. Investments, LLC. Marty McVey is the sole member and 100% equity owner of SBMC Healthcare, LLC.

SBMC Healthcare, LLC purchased the assets from Spring Branch Medical Center, Inc., an HCA affiliate, in February 2011. The purchase included approximately 22 acres of real property and the improvements thereon (the "Property"), including a 6 story hospital the

("Hospital"). SBMC, as part of the purchase price, executed a note secured by a deed of trust in favor of Spring Branch Medical Center, Inc.

The Debtor undertook to operate the Hospital as a critical care facility. However, the revenue the Debtor had expected to receive from care of patients relying on governmental and charitable organizations was not as originally expected. A dispute arose between the Debtor and Spring Branch Medical Center, Inc. relating to obligations under the Asset Purchase Agreement and related note to the seller. The parties entered into a Confidential Mutual Release, Settlement Agreement And Amendment to the Asset Purchase Agreement signed February 10, 2012.

On or about February 10, 2012, Spring Branch Medical Center, Inc. and HCA Healthcare Services of Texas, Inc. executed Releases of Lien which were filed of record in the Real Property Records of Harris County, Texas. Such Releases acknowledge that the Debtor had paid the $14,951,101.00 note dated February 11, 2011 related to the purchase of the Property in full.

Lower than expected revenues, the loss of the ability to collect for services rendered to self-pay or charity patients and the lack of available financing ultimately led the Debtor to close most of its Hospital operations.

Shortage of available cash caused SBMC to terminate a substantial number of employees. Between March 28 to March 30, 2012, SBMC had to terminate employees and to cease rendering a substantial number of Hospital services. Because SBMC was in default of its financial obligations its lender, Harborcove Financial LLC, the lender posted its collateral for foreclosure on May 1, 2012. *See* Section B.3.

At the time that SBMC filed for bankruptcy protection on April 30, 2012, SBMC was a licensed critical care facility by the State of Texas and held accreditation from the Joint Commission. SBMC owed the Joint Commission fees for accreditation that constituted a pre-petition debt. At the end of June 2012, SBMC ceased rendering care to patients. Subsequently, about early October, SBMC's counsel had communications with general counsel for the Joint Commission and learned that the Joint Commission intended to revoke SBMC's accreditation. Discussions ensued about the language of the revocation of accreditation. A draft of a letter proposed by the Joint Commission was exchanged but no agreement was reached. The Joint Commission apparently noted the revocation sometime after that in October 2012, but SBMC was not officially notified until January 2013. The Joint Commission accreditation is not transferrable and any sale of the Hospital Property would not have included any right of SBMC to transfer its accreditation from the Joint Commission.

B. Significant Pre-Petition Loan Obligations

The cash flow problems experienced by the Debtor in operating the Hospital caused it to seek loans to provide it with sufficient funds to continue operations.

1. The Virgo loan

On or about July 19, 2011, SBMC executed a promissory note in the amount of $200,000 payable to Virgo Finance Company, LLC ("Virgo"). That note is secured by a Deed of Trust

recorded under Clerk's File No. 20110308017 covering the real property on which the Medical Office Building is located. The Virgo loan was in default at the Petition Date. The Virgo Note was paid in full out of the sale of the MOB Property in December 2012.

2. Frost National Bank loan

On or about June 1, 2011, the Debtor obtained a loan from Frost National Bank (the "Frost") in the original principal amount of $745,963.54. The Frost loan was secured by a security agreement granting Frost a security interest in and to the Debtor's equipment and proceeds thereof. As part of the sale of the Debtor's equipment to Centurion Service Group LLC ("Centurion") approved by the Court on or about May 2, 2012, the amount due and owing to Frost was paid in full.

3. Harborcove loan

On or about November 1, 2011, SBMC entered into a Credit and Security Agreement with Harborcove Financial LLC ("Harborcove") with an initial "Facility Cap" of $3,000,000.00. The Harborcove loan was initially secured by the Debtor's healthcare receivables, contracts, certain accounts, equipment and all other personal property. On or about December 26, 2011, as a result of temporary increase in obligations, the Debtor executed a Deed of Trust to secure the Harborcove obligations. The Deed of Trust covers all of the Property owned by the Debtor and is a first lien on all such Property except for the Medical Office Building where the lien is a second lien. In March 2012, Harborcove instituted a lawsuit against SBMC in State district court. In that lawsuit SBMC and Harborcove entered into a temporary injunction barring SBMC from selling or disposing of its equipment. On April 3, 2012, Harborcove accelerated SBMC's indebtedness and, on April 5, 2012, posted the Property for foreclosure sale to take place on Tuesday, May 1, 2012.

On or about April 24, 2012, SBMC entered into a sale of equipment and auction agreement with Centurion by which Centurion would pay SBMC the sum of $2.75 million dollars. The agreement required that SBMC obtain releases from Frost and Harborcove of their lien interests in the equipment. Ultimately, by April 29, 2012, SBMC and Harborcove were unable to agree on an amount for the release of Harborcove's lien indebtedness. With the foreclosure to occur in two (2) days, SBMC had no choice but to protect its Assets and the substantial value thereof, and, on April 30, 2012, filed its voluntary Chapter 11 Petition initiating this Case.

Harborcove asserts that the debt due and owing to it as of the Petition Date is the amount of $1,985,073.37. The Debtor disputes this amount. Over the period of this Chapter 11 case, SBMC has made over $700,000.00 in payments to Harborcove. The parties have recently reached a compromise as to the amount owed that is described further herein.

4. Loan with Westlane Capital, LP

On or about January 25, 2012, SBMC borrowed $350,000 from Westlane Capital, LP ("Westlane"). To secure the obligation, SBMC executed a Deed of Trust granting Westlane a security interest and lien upon Tracts 1, II, II, IV and V and Lot 2 of SBMC's real property. That

Deed of Trust was recorded as Clerk's File No. 20120040706 in the Real Property Records of Harris County, Texas. On or about February 1, 2012, SBMC obtained a further loan in the amount of $500,000 from Westlane. To secure the additional extension of credit by Westlane, SBMC executed an Amended and Restated Deed of Trust covering Tracts I, II, III IV and V for accrued and unpaid interest. The Westlane loan has received some adequate protection payments and $100,000.00 out of the sale of the MOB Property.

C. Other Events Leading to Chapter 11 Filing

The primary factor which led to the filing of this Chapter 11 case was the failure of Harborcove and SBMC to agree on an amount to be paid to Harborcove so that the sale of the medical equipment to Centurion could take place and the posted foreclosure averted. The Debtor also had limited available cash that made even limited Hospital operations difficult if not impossible to sustain. Around the last week of March, the Debtor learned that a loan the Debtor believed would be approved to provide the Debtor with working capital was not going to be approved. As a result, the Debtor did not have a loan to replace Harborcove's financing or to provide adequate working capital for the Debtor to continue operations and to pay employees.

The lack of operational cash was also reflected in the Debtor's inability to pay its accounts payable, including, but not limited to, certain recurring obligations such as utilities and taxes.

D. Prepetition Assets of the Debtor

SBMC owns several assets as follows:

- Hospital Property appraised at $19.2 million. The Debtor currently has a signed Asset Purchase Agreement for consideration of $9.9 million in cash value plus assumption of WT-FICA tax liability totaling $2.4 million for a total purchase price of $12.3 million.
- Medical Office Building Property appraised at $1.45 million. The Debtor closed a signed Asset Purchase Agreement for $1.250 million and the net sales proceeds after payment of closing costs, Virgo and other creditors was approximately $470,000.00.
- Right of first refusal on adjoining Medical Office Building with skybridge to Hospital Campus. The Debtor negotiated such right for non-monetary consideration, including a redrawing of the cross- parking easement between the 2 buildings. The redrawing of that easement freed up over 75% of the Debtor's parking spaces and permits the Debtor non-exclusive use of approximately 300 extra spaces.
- Self-pay patient receivables for medical services rendered currently total $9,801,895.80 (not including insurance or charity) of which the Debtor estimates a possible recovery of 1%. The self-pay receivables are currently being brokered for sale, but to date the Debtor has not received an acceptable offer.

- Insurance Company receivables for medical services rendered currently total (exclusive of pending litigation described in Section III.G.6) $626,336.49 of which the Debtor estimates a possible recovery of approximately 40%. The numbers above include a claim against Medicare for $90,000 which may increase as the bills are processed.
- Two S10 pickup trucks scheduled as worth $2,000.
- Non-medical equipment scheduled to be worth $200,000 (but included in the Hospital Property appraisal) which is included as part of the proposed sale of the Hospital Property.
- At filing various licenses and other intangibles were valued and included in the Hospital Property as it was appraised as an operating facility and some of those license status has changed.
- Various bank accounts which the Debtor uses to pay for expenses, but operations are funded primarily through Post-Petition financing.
- Various litigation that is described herein in Section III.G.
- Possible litigation claims pursuant to Chapter 5 of the Bankruptcy Code and applicable State and Federal law.

Essentially, the real property assets contain the value necessary to fund the Plan and the value of any remaining assets is more speculative.

III. EVENTS DURING THE CHAPTER 11 CASE

A. Continuation of Business

On the Petition Date, SBMC filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Subsequent to the Petition Date, SBMC has continued to operate as debtor-in-possession subject to the supervision of the Bankruptcy Court.

B. Centurion Sale

Prepetition, SBMC had entered into an agreement with Centurion to sell its medical equipment for $2.75 million dollars and to permit the auction of the medical equipment with a recovery percentage for SBMC if the auction resulted in a sum greater than $3.05 million dollars. On May 2, 2012, after the filing of this Bankruptcy Case, SBMC filed its motion to auction its equipment through an auction company other than Centurion. After receiving certain representations and assurances from Centurion, SBMC amended its motion to sell the equipment under a revised agreement with Centurion. The Court approved the sale of the medical equipment to Centurion and authorized the assumption of the Centurion contract.

Prior to the auction taking place, Centurion asserted that it had not received all the medical equipment to which it was entitled because SBMC had sold several pieces of equipment shortly before the Petition Date and had failed to disclose that to Centurion. Centurion contends that such equipment was part of the equipment governed by the assumed Centurion contract. SBMC had sold some microscopes and mobile radiology units to Blue Marble for the sum of

$60,000 prior to the filing of the Petition, using that money for employee payroll expenses. Centurion asserted that the value of the equipment SBMC sold to Blue Marble and its broker fee percentage were in excess of $274,000.00 and that Centurion was entitled to an administrative expense claim for that amount. That claim is discussed hereafter in the Cash Collateral and Administrative Expense Sections.

C. Use of Cash Collateral

SBMC, in conjunction with its motion to sell its equipment, also filed its motion to be permitted to use cash collateral, *i.e.*, the sale proceeds received from the Centurion sale and accounts receivable proceeds. The Order entered by the Court approving the Centurion sale required SBMC to pay certain Lien creditors, including Frost and certain ad valorem lienholders asserting a security interest or Lien upon the equipment being sold. Although Harborcove held a Lien upon the equipment being sold, Harborcove did not receive payment on its Lien from the equipment sale Proceeds other than from budgetary disbursements made subsequently thereto. The Secured Creditors supported or did not oppose the use of the cash collateral pursuant to budgets that the Debtor has submitted each month (other than with respect to certain officer salaries) in this case. On May 2, the Court approved the budget submitted by the Debtor with the exception of payment of certain officer salaries. On May 17, June 26, July 27, August 27, (September 11 regarding the September budget) September 27, October 30 (reset to November 6), November 30, January 3, January 23, and February 27, the Court has approved the interim use of cash collateral pursuant to a budget submitted for each month by SBMC except with respect to certain officer salaries. However, SBMC did not have sufficient cash to meet its October budget and sought post petition financing which the Court approved. The majority of the operational expenses since mid-October have been through use of the post petition loan proceeds..

SBMC has utilized cash collateral primarily to maintain the Hospital as an operational facility and to meet administrative expenses. SBMC has made various monthly adequate protection payments to Harborcove as part of the cash collateral orders. Further, the November budget approved an adequate protection payment of $9,500 to Westlane. The Court approved the November, December, January, February and March budgets which have been mostly funded out of the debtor in possession financing.

D. Obtaining Debtor-in-Possession Financing

By mid-October, SBMC had exhausted its available cash collateral. Costs of operations, payments of budgeted attorneys' fees and secured creditor payments averaged an expenditure rate of $350,000 to $400,000 per month. A sale of the Hospital Property is not expected to close before confirmation of the Plan; the sale proposed is anticipated to close on or about April 15, 2013, pursuant to the Asset Purchase Agreement attached as Exhibit A to the Plan. SBMC had to obtain debtor-in-possession financing sufficient to finance SBMC's operations until a sale could be concluded. SBMC is seeking to continue to use its post petition financing after the Plan is confirmed. However, the lender believes that such continued use must be approved by it and that issue has not yet been resolved.

To obtain post petition financing in Fall 2012, SBMC retained Transwestern to aid it in obtaining post-petition financing. Transwestern found a potential financing source with Graham Mortgage Corporation ("Graham"). That proposed financing required a loan application and fee which was approved by the Court. That proposed financing would have provided a loan of $2.5 million over a 6 month period. The financing had approximately 3% of the total loan in fee costs which brought the available cash down to less than $2.1 million. On October 17, the Court heard SBMC's Emergency Motion to incur post-petition financing. Although the Court approved the post petition financing allowing the Debtor to incur financing with Graham, subsequently, the Debtor, the Committee and the Secured Creditors were not able to agree on the financing order and loan documentation terms with Graham and the Debtor did not close the loan.

Thereafter, SBMC reached an agreement with Briar Capital, L.P. for that entity to provide a 6 month loan in the amount of $2.5 million. The interest rate and overall fee cost resulted in a better financing offer than Graham's offer, so SBMC obtained Court approval for that debtor-in-possession financing. The negotiated loan documents with Briar Capital were approved and the loan (the "Briar Capital Loan") closed on November 16. In the Order approving the postpetition financing, the Court granted Briar Capital a priming first and senior Lien pursuant to Section 364(d)(1) of the Bankruptcy Code on the Hospital Property and certain of Debtor's personal Property. The Briar Capital Lien remains in full and effect. The first draws on the post petition financing included $307,000 to pay October budgeted amounts and taxes. Additionally, $350,000 in draws is authorized as set forth in the Court-approved November budget. Additionally, SBMC paid Briar Capital an additional $25,000.00 on account of SBMC's termination of its lease with Behavioral Medicine of Houston, P.A. on or about December 24, 2012. Through February 2013, the Debtor has drawn $1,451,719.36 in funds from the Briar Capital Loan. No more than $350,000.00 is available for monthly draws on the loan during the term of the Briar Capital Loan.

The Briar Capital Loan will mature on its own terms on May 1, 2012. However, the failure of SBMC to close a sale of the Hospital Property would also be an event of default. Should the Briar Capital Loan mature, Briar Capital may exercise its contractual and statutory remedies at law without further order of the Court. Those remedies include, but are not limited to, posting real property subject to the Deed of Trust lien granted Briar Capital for foreclosure. Presently, Debtor is requesting that Briar Capital continue to fund the Loan post-Confirmation in order for the Plan to be fully implemented. Further, SBMC is seeking the extension of the maturity date to July 1 if necessary. Briar Capital has not consented to Debtor's request as of the date of this Disclosure Statement. If the proposed sale of the Property as set forth in the Asset Purchase Agreement is closed and funded by April 15, 2013, the Briar Capital loan will be paid in full and an extension of maturity would not be required. The issues involving the post petition financing after Confirmation of the Plan have not been resolved as of the time of this Disclosure Statement. Debtor intends to submit a proposal to Briar Capital with respect to continuation of the funding and possibly expansion of the loan amount. Continued financing and/or expansion of the loan amount does reduce the amount payable to classes inferior to the Class 3 Claim of Briar Capital.

E. Centurion Holdback and Assertion of Administrative Expense

Centurion claimed that it was harmed by the Debtor having sold certain medical equipment prepetition after the Debtor entered into a prepetition agreement with Centurion (which it could not perform), but which agreement, as modified, was approved by the Court post petition. As has been addressed in Article III.B., SBMC sold the medical equipment to Centurion for $2.75 million. Prior to the auction of the medical equipment purchased, Centurion claimed that it had suffered damages of $310,000.00 as a result of an undisclosed prepetition sale of equipment by SBMC to Blue Marble for $60,000.00. Further, Centurion claimed, after learning of the prepetition sale, that it was entitled to recover the amount of the damages it had allegedly sustained by not having such equipment to sell and that the alleged damages constituted an administrative claim. As a result of the Centurion's asserted claim and its objection to SBMC's use of cash collateral, by agreement, the Debtor has held back and continues to hold back the sum of $310,000.00 from cash collateral usage. SBMC has never agreed with Centurion's position or its claim as to the valuation of the equipment sold to Blue Marble.

Centurion's auction took place on June 13-15, 2012. SBMC advised Centurion that its list of property to be sold included items that were excluded from the sale. Nevertheless, after receiving the Debtor's notice and objection, Centurion sold such equipment. Further, in removal of certain equipment sold through the auction located in the Radiology Building, the Building suffered extensive damage for which SBMC has claimed Centurion is responsible. After SBMC did not receive an accounting of the sale and bids, SBMC filed an emergency motion to compel Centurion to account for the auction. Pursuant to an Agreed Order by and between Centurion and SBMC and entered by the Court, Centurion accounted for the sale proceeds and bids by July 12, 2012. Pursuant to the Agreed Order, Centurion was to file and did file its motion for allowance of administrative expense on or before July 12, 2012. SBMC had to file and did file its response and/or objection to the Centurion Motion on or before July 19, 2012. SBMC's response/objection asserted that, among other things, Centurion was not entitled to an administrative expense claim and that SBMC had setoff rights for the damage to the Radiology Building for which SBMC claimed Centurion was liable. Centurion has denied that it caused or is responsible, in any way, for the damage.

The parties anticipated that the hearing on the Centurion Motion would take place on August 21, 2012. Discovery disputes arose which were not resolved. On August 10, 2012, Centurion filed a motion by which it sought to limit the scope of the August 21 hearing to preclude any affirmative defenses or damages to the Centurion Claim asserted by SBMC. The Court granted the relief sought in that motion and entered an order. SBMC had filed a response opposing the motion seeking to limit scope and immediately filed its motion for reconsideration of the order the Court had entered. The Court granted the Debtor's motion and did not limit the scope of SBMC's defense to the Centurion Motion. SBMC and the Committee (as defined hereafter) sought a continuance of the August 21 hearing. The Court heard the motion seeking a continuance of the August 21 hearing on August 15, granted the continuance and ordered the Debtor to file its adversary against Centurion by August 16.

SBMC did file its complaint to recover money and for declaratory judgment against Centurion on August 16, 2012, initiating Adversary No. 12-03385 ("Centurion Adversary"). In

the Centurion Adversary, SBMC sought, among other things, to recover damages to the Radiology Building estimated in the amount of $550,000. SBMC claims that those damages were sustained during the removal of equipment overseen by and ordered by Centurion. Centurion has denied that it caused or is responsible, in any way, for the damage. Judge Bohm set the hearing on the Centurion Motion and trial of the Centurion Adversary for December 4, 2012. On September 14, 2012, Centurion filed its Motion to Dismiss the adversary objecting to the jurisdiction of the Bankruptcy Court. The Agreement by and between SBMC and Centurion provided that for Illinois law to control as well being the venue for any litigation. On or about October 26, 2012, Judge Bohm held that the litigation should be heard in Illinois, but also abated Centurion's administrative expense motion pending resolution of the Illinois action.

On November 26, 2012, Centurion Service Group, LLC filed an amended verified complaint against SBMC Healthcare, LLC, McVey & Co. Investments, LLC, Marty McVey and Richard S. Garfinkel in the United States District Court for the Northern District of Illinois, Eastern Division. The amended complaint asserts a cause of action for an alleged breach of contract against SBMC resulting in damages in the amount of $279,450 plus attorneys' fees and costs and allowed interest. It also seeks a declaratory judgment against McVey and Garfinkel asserting that the release of the guaranty was allegedly fraudulently obtained and that the guaranty is still in force and effect. Thus, if SBMC is found liable then McVey and Garfinkel would be jointly and severally liable. Centurion is seeking reasonable attorneys' fees from McVey and Garfinkel related to prosecuting the claim against SBMC. Finally, Centurion seeks to recover for an alleged claim of fraud against McVey, Garfinkel, McVey & Co. Investments LLC and SBMC. In the alleged fraud claim, Centurion asserts that the defendants are liable for intentionally concealing the fact that some equipment was missing when Centurion agreed to purchase substantially all of the Debtor's assets to market same for auction. Centurion alleges it suffered actual damages in the amount of $279,450.00 plus demands punitive damages in the amount of $500,000.

SBMC has contest the claims asserted in the litigation filed by Centurion in Illinois and has counterclaimed for the damages Centurion caused to the Radiology Building, among other causes of action. It is too early in the litigation to assess the likelihood of recovery by either side.

Further, to the extent that the Illinois litigation delays implementation of the Plan, it is likely that SBMC and/or the Liquidating Trustee or other parties in interest will seek to set an amount for Centurion's Disputed Claim. It is also likely that SBMC and/or the Liquidating Trustee or other parties in interest will seek to have Centurion's Disputed Claim estimated under Section 502(c) of the Bankruptcy Code in accordance with Article V, Section 5.17 of the Plan.

F. Appointment of the Official Committee of Unsecured Creditors

On or about June 27, 2012, the U.S. Trustee appointed an Official Committee of Unsecured Creditors (the "Committee") and amended the appointment to include additional Committee members on August 14, 2012. The Committee members as of the date of this Disclosure Statement are: Greater Houston Emergency Physicians, PLLC; Advanced Radiation Physics Service, Inc.; G.E. Healthcare; RSR Enterprises, LLC; and HEJDI Inc., d/b/a/ Allied Health Services.

The Committee sought to have its attorneys appointed. On July 25, 2012, this Court entered an order approving the retention of Hall Attorneys, P.C. as Committee Counsel. The Committee Counsel can be contacted as follows:

Hall Attorneys, P.C.
Ruth Van Meter
4617 Montrose Blvd, Suite C202
Houston, Texas 77006
Telephone: (713) 858-2891
Email: rvanmeter@hallattorneys.com
http://sbmc.creditorinfo.com

G. Pre and Post Petition Litigation

1. Reedy/Bell WARN Act and ERISA Litigation

In April 2012, an attorney representing two (2) employees terminated in late March by SBMC filed a WARN Act suit asserting claims under the WARN Act as a class action against SBMC and McVey & Co. Investments, LLC in the United States District Court for the Southern District of Texas.

On August 7, 2012, Judge Sim Lake entered an Order of Partial Dismissal that stated that SBMC was dismissed from the WARN Act Lawsuit, but that the plaintiffs could reinstate the action upon notice to the court that the automatic stay was no longer in effect.

On June 21, 2012, an attorney representing two (2) employees terminated in late March by SBMC filed an ERISA class action lawsuit against Marty McVey, McVey & Co. Investments, LLC, Christopher Ashby, Connie Lockhart and Richard Garfinkel asserting that the defendants failed to apply amounts deducted from plaintiff's paychecks to the insurance premiums. SBMC was initially a party, but because the filing of the litigation occurred after SBMC had filed its Bankruptcy Petition, SBMC was dismissed from the litigation.

On July 19 2012, Laura Reedy and Windley Bell ("Reedy/Bell Claimants") filed a Motion for Relief from Stay seeking the Court to lift the automatic stay to permit WARN Act Litigation to proceed against SBMC. The Motion was passed to a final hearing that occurred on August 15, 2012. Judge Bohm ruled that the automatic stay would remain in force and effect until October 14, 2012, at which time the automatic stay will lift to permit the WARN Act Litigation to proceed in the District Court. SBMC contends that the pursuit of any post petition ERISA claims consolidated into that District Court action violate the automatic stay.

On August 24, 2012, Judge Sim Lake held a hearing on the WARN Act Litigation. At the hearing, Judge Lake ordered that the WARN Act Litigation, ERISA Lawsuit and additional WARN Act suit brought by an additional two (2) former employees as another class action lawsuit, pending as H-12-2066 in the Federal District Court for the Southern District of Texas–Houston, were to be consolidated into one action. The Debtor maintains that the post-petition

actions brought are still subject to the provisions of the automatic stay and that the plaintiffs are in violation of the stay in pursuing the action.

Plaintiff Reedy, a WARN Act claimant, timely filed a Proof of Claim on behalf of herself and as a class representative in the amount of $1,280,889.32. SBMC and the Reedy/Bell Claimants on January 23 resolved the WARN Act Claims for an amount not greater than $250,000, including attorneys fees in the amount of $110,000. A Motion to compromise the WARN Act Litigation Claims was filed in the District Court and that distribution to class Claimants will be paid through that civil action and this Plan.

2. Luby's Litigation

On or about July 11, 2011, SBMC had entered into a Food Services Agreement with Luby's Fuddruckers Restaurants, LLC ("Luby's") for Luby's to provide food service at the Hospital. Pursuant to the Agreement, Luby's agreed to make capital expenditures for personal property and equipment in the amount of $250,000.00. Luby's filed its UCC-Financing Statement on February 11, 2012, belatedly asserting a security interest in certain equipment. On February 7, 2012, Luby's had first filed its Mechanic's and Materialmen's (Constitutional) Lien claim in the amount of $202,062.08 and terminated its Agreement. About the same time, Luby's removed substantial personal property and equipment from the Hospital without any permission and with the intention of concealing the removal. Luby's then filed its lawsuit bearing Cause No. 2012-10011 in the 189th Judicial District Court of Harris County, Texas, against SBMC and McVey & Co. Investments, LLC asserting a claim for $472,526.01.

After the Petition Date, on or about May 15, 2012, Luby's filed its motion seeking to sever SBMC from the State court litigation. The State district court subsequently severed SBMC out of the Luby's Litigation setting up a separate file number for the case to proceed against McVey & Co.

On July 27, 2012, SBMC filed its complaint against Luby's initiating Adversary No. 12-3320 seeking an order compelling Luby's to turn over the property it removed or have the value of such property determined as an offset to Luby's claims (the "Turn Over Complaint"). Debtor also removed the pending State court litigation to the Bankruptcy Court and sought consolidation of those actions with the Turnover Complaint. Luby's filed its Motion to Remand the actions against McVey & Co. SBMC has subsequently, amended its complaint against Luby's to include Avoidance Actions. On or about October 18, 2012, Judge Bohm ruled that the litigation Luby's had brought against McVey & Company Investments would be remanded to State court, but the Luby's action against SBMC removed from State court would be retained and consolidated with Adversary No. 12-3320. The parties have engaged in discovery and have discussed settlement, but to date the Luby's Claim is still in dispute. Trial of the consolidated adversary matters are scheduled for trial during the week of May 14, 2013.

3. Spring Branch Medical Center, Inc. Litigation

On or about July 30, 2012, Spring Branch Medical Center, Inc. filed a complaint seeking declaratory relief as to the ownership of $744,761.84 that were distributed pursuant to a settlement agreement between the United States Department of Health and Human Services, the

Secretary of Health and Human Services, the Center for Medicare & Medicaid Services and spring Branch Medical Center, Inc. This action concerns a dispute regarding the ownership of the aforementioned funds. Both parties to the dispute assert ownership of said funds.

The Debtor filed an answer to the complaint and a counterclaim for declaratory relief.

On February 15, 2013, the parties reached a compromise and have settled the dispute and filed a motion to compromise controversy with the Court. The substance of the compromise involves disputed government insured funds. On or about April 5, 2012, the United States Department of Health and Human Services, the Secretary of Health and Human Services, the Centers for Medicare and Medicaid Services and Spring Branch entered into a settlement whereby, among other things, $774,761.84 (the "Disputed Funds") was disbursed to a provider number of SBMC that was previously held by Spring Branch. Spring Branch contends that it is entitled to the Disputed Funds pursuant to the Asset Purchase Agreement dated January 31, 2011, by and between SBMC and Spring Branch (the "APA"). Spring Branch contends that the Disputed Funds were Excluded Assets under the APA. SBMC contends that it was entitled to the Disputed Funds pursuant to an amendment to the APA. As the parties were not able to resolve the dispute as to which entity was entitled to the Disputed Funds, Spring Branch commenced the Adversary Proceeding and sought a declaratory judgment that it was entitled to the Disputed Funds. By agreement with Spring Branch, SBMC segregated the Disputed Funds pending the resolution of the adversary proceeding. The compromise is also incorporated into the Plan.

The terms of the compromise are as follows:

(a) Not more than five (5) business days following the entry of a final order approving the compromise proposed herein, which order approving compromise has not been stayed (the "Final Order"), SBMC will release the Disputed Funds, which consist of the $774,761.84 Medicare and Medicaid recoupment settlement funds, to Spring Branch less the sums set forth in 8(g).

(b) Spring Branch and/or its affiliate entities have agreed to retain custody and control and legal and fiscal responsibility for those medical records related to the Hospital Property and currently stored at Iron Mountain, which records were created prior to the sale of the Hospital Property to SBMC. Spring Branch agrees to maintain those records in accordance with applicable law. Spring Branch will not maintain, store or otherwise possess any medical or business records related to the Hospital Property that were created after the closing of the January 31, 2011 Asset Purchase Agreement.

(c) Spring Branch will be entitled to receive any and all further payments and settlements from Medicare and/or Medicaid that are the result of services rendered at the Hospital Property prior to the sale of the Hospital Property to SBMC. Similarly, Spring Branch will be responsible for all recoupments/offsets from Medicare and/or Medicaid arising out of services rendered prior to the sale of the Hospital Property to SBMC.

(d) SBMC will remain entitled to receive payments, and shall continue to be responsible for recoupments/offsets by Medicare and Medicaid in connection with services rendered at the Hospital Property after the sale to SBMC.

(e) When SBMC receives any payment or correspondence from Medicare or Medicaid, including correspondence related to a payment, settlement, recoupment or offset related to the Hospital Property, within five (5) businesses days of receipt of such funds or information SBMC shall notify Spring Branch that such has been received and provide copies of correspondence if requested. To the extent that payments and/or settlements from Medicare and/or Medicaid that are the result of services rendered at the Hospital Property prior to the sale of the Hospital Property to SBMC are received by SBMC, SBMC, including any manager, trustee or successor in interest, shall turn over such funds to Spring Branch within ten (10) business days of receipt of such funds. In connection with such turnover of funds, SBMC shall fully cooperate including, but not limited to, by endorsing such check as necessary to facilitate deposit by Spring Branch. Notice shall be provided to the Division Chief Financial Officer, Spring Branch Medical Center, Inc., 7400 Fannin, Suite 650, Houston, TX 77054.

(f) Within 15 calendar days following entry of a final order approving this Motion, SBMC shall notify Medicare and Medicaid that payments and/or settlements for services prior to January 31, 2011 should be delivered to Spring Branch at Division Chief Financial Officer, Spring Branch Medical Center, Inc., 7400 Fannin, Suite 650, Houston, TX 77054. This shall not relinquish any obligations set forth in section 8(e) herein.

(g) SBMC is entitled to retain the sum of $15,000 for reimbursement of attorneys' fees and expenses out of the $774,761.84 funds prior to delivery of the balance of the funds to Spring Branch.

(h) SBMC and/or its successor in interest shall provide Spring Branch with notice of its intent to seek approval from the Bankruptcy Court to dismiss and/or close the pending bankruptcy proceeding. Notice shall be provided to the Division Chief Financial Officer, Spring Branch Medical Center, Inc., 7400 Fannin, Suite 650, Houston, TX 77054.

(i) This settlement shall be binding on all successors in interest.

It is the sound business judgment of the Debtor that settlement with Spring Branch Medical Center, Inc. is in the best interest of the Debtor, after consideration of the following factors: (a) the probability of success in litigation; (b) the complexity and likely duration of litigation and related expense, inconvenience and delay; and (c) all other factors that could bear on the wisdom of this compromise with Spring Branch Medical Center, Inc.

4. Behavioral Medicine of Houston, P.A.

On or about April 12, 2011, SBMC entered into a Lease Agreement with Behavioral Medicine of Houston for lease of the 6th Floor of the Hospital (the "Lessee"). According to such Lessee, the Lessee obtained financing for the build-out of the lease space from Regions Bank and, in connection with the financing, purportedly gave Regions Bank a lien interest in the fixtures. Through November 2012, the Lessee paid its monthly lease payments to SBMC, but there were disputes between SBMC and the Lessee as to whether various covenants of the Lease have been breached by the other party. The Lessee has filed a Proof of Claim in the amount of $8,140,000.00. Further, the Lessee sought the Court to place the monthly lease payments into the Registry of the Court and filed its Motion to Lift Stay and/or in the Alternative That Recoupment Will not Violate the Stay seeking to use the lease payments due SBMC as recouped amounts to allow the Lessee to pay itself back its alleged damages. The Court entered an Agreed Order which reserved the Lessee's right to any administrative expense and set the related motions for hearing. Under the terms of the Order, BMH was to continue making the Lease payments. BMH failed to make the December 2012 payment and the Debtor gave notice of default and thereafter terminated the Lease.

At a hearing regarding discovery disputes, the Court determined that BMH's Claim was estimated under 11 U.S.C. § 502(c) to be $10,000, set a final hearing on the Objection to Claim, granted SBMC's discovery objections and requested that the Motion be withdrawn without prejudice. The Objection to Claim that the Debtor has filed contesting the Lessee's Proof of Claim is set for final hearing on May 21, 2013.

5. Account Receivable Litigation

On or about October 2, 2012, SBMC filed a complaint seeking payment for services rendered by SBMC to insureds of United Healthcare of Texas, Inc. ("United") that remain unpaid. SBMC has asserted cause of action for breach of contract, quantum meruit, equitable relief and attorneys' fees seeking a total of $82,786.98 in unpaid receivables. On November 12, 2012, United filed its answer denying the allegations and asserting its affirmative defenses. SBMC believes that it will prevail on its breach of contract and other actions against United. As with all litigation, there are significant downsides and risks and SBMC cannot speculate as to what amount, if any, it may recover.

On or about October 11, 2012, SBMC filed a complaint seeking payment for services rendered by SBMC to insureds of Wellcare Health Plans of Texas, L.L.C. ("Wellcare") that remain unpaid. SBMC has asserted cause of action for breach of contract, quantum meruit, equitable relief and attorneys' fees seeking a total of $39.664.10 in unpaid receivables. To date, SBMC believes that a portion of the amount demanded has already been repaid to SBMC. The lawsuit has been dismissed without prejudice to re-file same.

SBMC may file additional lawsuits to continue to collect its unpaid receivables related to services rendered to insured or uninsured patients that remain unpaid. SBMC cannot estimate the amount of any such recovery as any recovery is speculative. SBMC has been diligently working to collect its outstanding receivables throughout this bankruptcy Case and hopes to continue to recover additional amounts.

6. Chapter 5 Litigation and other Possible Litigation

The Liquidating Trust assets shall include, but are not limited to, Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought by the Debtor under §§ 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, receiving a transfer from the Debtor during the four years prior to bankruptcy, including but not limited to insiders, employees, officers, and equity holders of the Debtor. They also include all applicable State and Federal court causes of action.

SBMC anticipates that it, or the Liquidation Trust, may pursue litigation related to causes of action under Chapter 5 of the Bankruptcy Code in the event that the Allowed Unsecured Claims are not paid in full. Litigation is highly speculative and there are significant downsides; therefore, SBMC is not confident what amount, if any, it could recover if such transfers were pursued. SBMC has asserted fraudulent transfer actions against Luby's as well as a preference action. It is still too early in that litigation for SBMC to determine the outcome of those causes of action. There are contract claims asserted against SBMC where breach of contract would be a counterclaim brought by SBMC in conjunction with a potential fraudulent transfer claim.

SBMC has not conducted any analysis as to whether any of the payments reflected within 90 days or one year of the filing of this Bankruptcy Case as set forth on exhibit 3(b) to the Debtor's Amended Statement of Affairs would constitute preferential transfers because through January the proposed sale of the Hospital Property would have paid unsecured creditors in full. SBMC does not anticipate filing any preference actions, but such actions are retained for the benefit of the Liquidating Trust to pursue; however, if SBMC were to pursue such actions, SBMC speculates the total amount sued for would be far less than $500,000 given ordinary course of business and substantial advances defenses available to creditors as defenses as well as limited size and number of recipients. Therefore, any recovery on such litigation would be significantly less than $500,000 as recovery in litigation is always uncertain.

The Committee and the Debtor that have agreed to reserve all rights for the Liquidating Trustee to assess and bring any and all Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought by the Debtor under §§ 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, receiving a transfer from any of the Debtor during the four years prior to bankruptcy, including but not limited to insiders, employees, officers, and equity holders of the Debtor. They also include all applicable State and Federal court causes of action.

7. Greater Houston Emergency Physicians, PLLC Litigation

Greater Houston Emergency Physicians, PLLC ("GHEP") entered into a Professional Services Agreement with SBMC on or about February 1, 2011 for GHEP to provide emergency services at SBMC's Hospital facility. Disputes arose over what amounts SBMC was obligated to pay GHEP. In April 2011 GHEP made demand to SBMC to pay the sum of $179,265.31 and, when payment was not made, GHEP ceased rendering services. On or about May 2, 2012, GHEP filed its Plaintiff's Original Petition for breach of contract against SBMC initiating Cause No. 2011-26442 pending in the 127th Judicial District Court of Harris County, Texas. SBMC filed its Original Answer and Counterclaim asserting that GHEP breached the contract. SBMC

amended its Answer and Counterclaim to deny any liability to GHEP and assert not only its breach of contract cause of action, but causes of action for tortious interference, conspiracy and, business disparagement. Shortly thereafter, GHEP amended its Petition to add McVey & Co. Investments LLC and Marty McVey to the litigation asserting fraud, conspiracy, single business enterprise/alter ego action and seeking punitive damages.

SBMC listed GHEP's claim as disputed on its Schedules and listed the counterclaim asserted against GHEP as an asset on Schedule B.21. GHEP has filed its Proof of Claim in this Bankruptcy Case in the amount of $312,861.92. SBMC intends to file its objection to GHEP's claim as well its claim to recover damages. Both GHEP and SBMC each believe that it will be the successful party with respect to their competing claims so the outcome is unknown at this time.

8. Other Litigation

There was other prepetition litigation pending in the various courts of Harris County, all of which have been listed on the Debtor's Statement of Financial Affairs at section 4.a.

H. Extension of Exclusivity Period

Pursuant to Section 1121 of the Bankruptcy Code SBMC as a debtor-in-possession has an exclusive period of 120 days to file its plan of reorganization and an additional 60 days to obtain confirmation of that plan. The Committee agreed with the Debtor to extend that time period and the Court entered an order extending the exclusive period for SBMC to file its plan of reorganization until October 1, 2012 and extending the exclusive confirmation deadline until December 1, 2012. The Court set the Disclosure Statement hearing for December 12, 2012, outside of the 60 day extension, so under those circumstances SBMC could not complete confirmation of its proposed Plan within the extension period. Although SBMC sought a further extension of the exclusivity period, the Court did not grant a further extension, but held that the Debtor's plan would proceed first for consideration of confirmation. However, as the Debtor requested an extension of the confirmation hearing so that it could work with the 3rd Best Bidder at the hearing on February 26, 2013, the Court set ALL plans and disclosure statements (as may be filed by March 8) are to be heard at the same confirmation hearing on March 26, 2013.

I. Claims Filing Deadline

The Reedy/Bell Claimants filed a motion to extend the deadline for filing Proofs of Claim against this Estate. The deadline for filing non-governmental Proofs of Claim was set by the Court for September 12, 2012. After hearing the Reedy/Bell Motion, the Court refused to extend the September 12, 2012 deadline. The time for filing non-governmental Proofs of Claim against this estate has passed.

J. Retention of Professionals

Over the objections of the U.S. Trustee, the Court approved the retention of the law firm of Marilee A. Madan, P.C. and its principal, Marilee A. Madan, as the general bankruptcy counsel to represent the Debtor.

Over the objections of the U. S. Trustee, the Court also approved the retention of Millard A. Johnson and the law firm of Johnson DeLuca Kurisky & Gould, P.C. ("JDKG") as special bankruptcy counsel for Debtor. JDKG has filed an application to expand its employment to include representation of officers of the Debtor in the Centurion Litigation in Illinois. The Committee has objected to the expanded employment and the application is set for hearing on March 21, 2013 at 10:00 a.m.

The Debtor has also filed an application to employ Locke Lord LLP as special litigation counsel to be local counsel for the Centurion Litigation in Illinois. The Committee has objected to the application and the matter is set for hearing on March 21, 2013 t 10:00 a.m.

On or about June 19, 2012, this Court approved the retention of Transwestern as the broker to have exclusive rights to market the Debtor's real property. Eric Johnson, who is the Managing Director of the Healthcare Advisory Services department, and Scott Carter are the primary employees of Transwestern in charge of marketing the Hospital and Medical Office Building Property. By mid-July, Transwestern had set up its data room and put together marketing brochures and has actively marketed the Property since that time. Transwestern has been highly active along with the Debtor in pursuing qualified purchasers which has resulted in the Debtor entering into Asset Purchase Agreements for sale of the Hospital Property and the MOB Property on an AS IS WHERE IS basis. Transwestern was also approved to assist the Debtor with obtaining post petition financing. SBMC ultimately obtained financing from a company not introduced by Transwestern and thus no brokerage fees were incurred for the financing. The contract regarding the sale of the Hospital Property has since been terminated.

The Court approved the retention of The Gerald A. Teel Company as the appraiser for SBMC. Mr. Teel, a well-known and highly qualified appraiser holding an MAI designation among many other designations, rendered an appraisal of both the Medical Office Building Property and the Hospital Property. The Gerald A. Teel Company has been paid $15,000 for the rendering of the appraisals. Mr. Teel has filed a first fee application based on his hourly rate for time spent in testifying before the Court and anticipates filing any additional fee applications as necessary.

On or about July 2012, the U. S. Trustee appointed certain creditors as members to the Official Committee of Unsecured Creditors. The Committee selected and the Court appointed the Hall Law Firm as counsel to represent the Committee.

On August 15, 2012, SBMC the court approved the employment of Lawrence J. Beardsley, CPA, Inc. as an accountant for SBMC to prepare the 2011 annual Medicare and Medicaid cost report for a flat fee. Mr. Beardsley has filed a first fee application to obtain payment of the flat fee for the 2011 reports. The Court approved the expansion of Lawrence J. Beardsley's employment to also allow him to prepare the 2012 reports on January 23, 2013. Also on the August 15, the Court entered an order approving the employment of Briggs & Veselka Co. as accountants to prepare the 2011 annual tax return for SBMC. Briggs & Veselka Co. received a $10,000 retainer for their services but must file a fee application with the Court to obtain payment of the charges made on an hourly fee basis. On March 1, 2013, SBMC filed an

application to expand the employment of Briggs & Veselka Co. to allow it to also prepare the 2012 tax returns. That application is currently pending.

The Committee requested that BMC Group, Inc. be employed to assist the committee with its duties to provide notice to creditors and on August 20, 2012, the Court approved such employment. BMC receives payment on a monthly basis for its web-hosting fees which are approximately $250.00 a month. BMC must file a fee application to receive payment of all other compensation.

The Court has also approved the employment of WestStar Management, LLC to act as a broker to sell the self-pay account receivables of SBMC. WestStar is entitled to receive a commission of 3% of the final sales price at the closing of any sale. SBMC must seek Court approval before selling any of the account receivables. To date, the 60 day period of exclusivity for WestStar to market the self-pay receivables has expired without an offer for purchase of the self-pay receivables acceptable to the Debtor. The Debtor is exploring other alternatives with respect to the self-pay receivables.

K. Patient Records

SBMC has patient records from services rendered at the Hospital subsequent to its acquiring the Property and commencing Hospital operations. Additionally, there are records stored at a storage facility that pre-date SBMC's Hospital operations, but for which it may be responsible. The compromise between Spring Branch Medical Center, Inc. and Debtor discussed in Section III.G.4 resolved the patient records stored at Iron Mountain, as Spring Branch Medical Center, Inc, has the data concerning the records and has been responding to patient requests for records.

Section 351 of the Bankruptcy Code sets forth an arduous method of disposing of patient records where the Debtor or Trustee does not have sufficient funds to pay for storage of the records. The Bankruptcy Code grants a superpriority administrative expense for the maintenance of such records. SBMC has entered into an Asset Purchase Agreement with the 3rd Best Bid Purchaser pursuant to which the Hospital patient records are retained by such purchaser. Thus, all of SBMC's medical records have been adequately disposed.

The Texas Department of State Health Services has provided the Debtor with the following statement:

The Texas Department of State Health Services ("DSHS") asserts that in order for the Plan to meet the requirements for confirmation under 11 U.S.C. § 1129, the Plan must provide funding for the continued storage and maintenance of all patient medical records as required by applicable nonbankruptcy law or, alternatively, the disposal of such records in accordance with 11 U.S.C. § 351. The Debtor believes that costs associated with the maintenance of the records at the Hospital will not exceed $55,000, and there will be sufficient unencumbered funds resulting from any sale to pay such costs, which constitute an administrative expense pursuant to 11 U.S.C. § 503(b)(8)(A).

The Debtor intends to address the patient records issue in a satisfactory manner and intends to seek confirmation of its Plan.

IV. SUMMARY OF THE PLAN

A. Introduction

Set forth in this section is a description of the basic terms of the Plan. This description is not intended, nor should it be relied upon, as a substitute for a careful review of the actual terms of the Plan, a complete copy of which is attached hereto as Exhibit A.

The proposed implementation of the Plan is through sale of the Hospital Property pursuant to the Asset Purchase Agreement attached as Exhibit "A" (or any substituted one) for consideration of $12.3 Million, $9.9 in cash. Upon sale of the Hospital Property or if a sale does not occur on or about April 15, 2013, a Liquidating Trust is created. The Debtor is seeking to conclude a sale of the Hospital through Confirmation of this Plan. If the sale of the Hospital does not occur before the Effective Date of the Plan, the Liquidating Trustee will sell and dispose of the Property and Assets of the Estate and the Liquidating Trust will make disbursements to the Creditor classes. A sale of SBMC's Hospital Property is the most substantial source of proceeds for disbursement under the Plan.

B. Marketing of the Property

Early in this Bankruptcy Case, SBMC retained the broker services of Transwestern to market the Hospital Property and the Medical Office Building Property. Various prospective purchasers signed Non-Disclosure Agreements and have obtained information pertaining to the Hospital Property. The website information pertaining to the Hospital Property had thousands of hits. Transwestern identified over 20 prospective purchaser candidates. A substantial number of those prospective purchasers visited the Hospital (and some even continue to do so presently) and obtained information suggesting or expressing that they would be interested in purchasing the Hospital Property. The Court has entered an order that protects and keeps confidential information pertaining to the parties interested in acquiring the Property and any submission of non-binding letter of intent and/or purchase agreements. Letters of Intent and executed Asset Purchase Agreements have been provided to the Court under seal and the information provided to those Persons properly designated to receive the information. In order to bring a conclusion to the marketing process, the Court entered a Bid Procedures Order setting deadlines for potential purchasers to act. The first deadline was October 8, 2012, the date by which potential purchasers had to submit an approved form or acceptable Letter of Intent setting forth the proposed purchase price of the Property, periods to accomplish negotiating and executing an Asset Purchase Agreement, complete due diligence, and close the sale. On October 8, 2012, SBMC received non-conforming Letters of Intent that provided a purchase price that upon sale should accomplish the intent of SBMC to pay its all Allowed Claims in full as well as allow some equity to be realized.

By October 10, 2012, SBMC selected the Letter of Intent from the purchaser that represented, in its sole discretion, the Best Bid and the second best bid, the Back-Up Bid. SBMC designated the $15.0 million dollar offer as its Best Bid even though SBMC received higher offers. SBMC reasoned that the time period set forth for due diligence and closing was the shortest period. SBMC and the Best Bid purchaser negotiated an Asset Purchase Agreement. The due diligence inspection period started, but the Purchaser timely terminated the Agreement. The sale of the Hospital Property is the primary means for funding this Plan. Debtor commenced working with the Back Up Bidder as well as the prospective purchaser who offered the third highest bid. . The Back Up Bidder has not pursued the purchase, but SBMC Investments, LLC has pursued the purchase of the Hospital Property and has tendered an executed Asset Purchase Agreement which is attached as Exhibit "A" to the Plan. The Plan seeks the Court to allow the SBMC Investments, LLC, an entity in which Marty McVey, an insider to Debtor, holds a substantial interest, to purchase the Hospital Property sale free and clear of liens, claims and encumbrances as allowed pursuant to Section 363(f) of the Bankruptcy Code. If the sale, after approved by the Court at Confirmation, closes, the proceeds will be utilized to pay closing costs, Allowed Claims of Secured Creditors, Ad Valorem Taxes and any Administrative Expenses approved by the Court. The net proceeds will be deposited into the Liquidating Trust for ultimate distribution to Claimants holding Allowed Claims. If the sale of the Hospital Property does not occur on or before April 14, 2013 or such date as the Court may set, the Liquidating Trustee will be pursuing sale of the Property and Assets upon the vesting of the Property and Assets into the Liquidating Trust.

SBMC also received a Letter of Intent to purchase the MOB Property for $1,250,000.00. On or about November 16, 2012, SBMC entered into an Asset Purchase with the purchaser. The purchaser completed its due diligence. On or about November 20, 2012, SBMC filed its Emergency Motion to Sell MOB Property Free and Clear of Liens, Claims and Encumbrances. The Court conducted a hearing on November 26, 2012 and entered an Order approving the sale free and clear of liens, claims and encumbrances, transferring any valid liens to the proceeds. The Order authorized the distribution of proceeds at closing as follows:

Closing costs, including 6% broker fees = $100,000 (estimated)

Ad valorem property taxes = $ 60,000 (approximate)

Virgo Financial (1st lienholder) = $220,000 (estimated full payment)

Harborcove Financial (2nd lienholder = $300,000 (adequate protection)

Westlane Capital (3rd lienholder) = $100,000 (adequate protection)

TOTAL DISBURSEMENTS = $780,000

NET PROCEEDS REMAINING = $470,000

The sale closed on December 14, 2012. Net Proceeds are to be deposited in a segregated account.

C. Classification of Claims

Section 1122 of the Bankruptcy Code provides that, except for certain claims classified for administrative convenience, a plan may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class. The Bankruptcy Code also requires that a plan provide the same treatment for each claim of a particular class unless the holder of a particular Claim agrees to a less favorable treatment of its Claim. SBMC believes that the Plan complies with this standard. The Plan divides Claims and Equity Interests in the Debtor into the following Classes:

Class 1 – Priority Claims under Section 507(a)(4)

Class 2 – Priority Claims under Section 507(a)(5)

Class 3 – Post petition financing Claim of Briar Capital, L.P.

Class 4 – Secured Claim of Harris County (ad valorem taxes)

Class 5 – Secured Claim of Spring Branch Independent School District "SBISD") and Spring Branch Management District ("SBMD")

Class 6 – Secured Claim of Harborcove Financial, LLC ("Harborcove")

Class 7 – Secured Claim of Virgo Finance Company, LLC ("Virgo")

Class 8 – Secured Claim of Westlane Capital, LP ("Westlane")

Class 9 – Secured Claim of Texas Workforce Commission ("TWC")

Class 10 – Secured Claim of City of Houston Wastewater

Class 11 – Secured Claim of Judgment Lien Holders

Class 12 – Secured Claim of Mechanic's and Materialmen Claimants

Class 13 – Unsecured Claims

Class 14 – Equity

For a description of the treatment of the Claims and Equity Interests and a summary of distributions under the Plan, *see* Section IV.D, "Treatment of Claims and Equity Interests and Summary of Distributions under the Plan."

A Claim or Equity Interest is classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such other Classes.

D. Treatment of Claims and Equity Interests and Summary of Distributions Under the Plan

Under the Plan, Claims against and Equity Interests in the Debtor are divided into different Classes. Only Allowed Claims and Allowed Equity Interests are entitled to receive Distributions under the Plan. The following is a description of the Plan's treatment of Claims against and Equity Interests in the Debtors. Administrative Expense Claims, Priority Tax Claims and Ad Valorem Tax Claims are not classified under the Plan.

1. Administrative Expense Claims

a. *Allowed Administrative Expense Claims*

Subject to the provisions contained in Section 2.2 of the Plan, each holder of an Allowed Professional Fee Claim shall be paid in respect of such Professional Fee Claim in Cash, in full, on the Effective Date, except the attorneys for the Debtor and the Committee. Except for the Debtor's and Committee's attorneys any holder of a Professional Fee Claim that has not been approved by the Bankruptcy Court on or before the Effective Date, shall be paid promptly after Bankruptcy Court approval of the Professional Fee Claim by a Final Order. Pursuant to the Order Approving Procedures for the Interim Compensation and Reimbursement of Expenses of Professionals [Docket No. 303], the Debtor may pay in the ordinary course of business 80% of the fees and 100% of expenses properly noticed by the Debtor's attorneys and/or the Committee's attorneys. The Debtor's attorneys have to date been paid less than 50% of the billed and properly noticed monthly fees. Upon entry of the Confirmation Order, Marilee A. Madan, P.C. and Johnson DeLuca Kurisky & Gould, P.C. bankruptcy counsel and special bankruptcy counsel for the Debtor respectively, shall be authorized to be paid sufficient funds to equal at least a total of 50% of the outstanding, properly noticed and unpaid fees. The remainder of any fees outstanding to the Debtor's counsel and the Committee's counsel shall be paid upon closing of the sale of the Hospital Property, to the extent that the fees have been allowed and funds are available and/or on or before June 1, 2013 from any other available funds. Final fee applications for any Professional Fee Claim related to pre-confirmation services that has not been approved as of the Effective Date shall be filed within thirty (30) days of the Effective Date and such applications and objections thereto (if any) shall be filed in accordance with and comply in all respects with the Bankruptcy Code, the Bankruptcy Rules and applicable local rules.

As of January 31, 2013, Johnson DeLuca Kurisky & Gould, P.C. ("JDKG"), special counsel for the Debtor, has noticed and invoiced fees and expenses totaling $785,351.38. No

objections have been filed to any of the properly noticed invoices submitted. JDKG has been paid a total of $226,500.00 with respect to such invoices which amounts to approximately 30%. As of January 31, 2013, JDKG is still owed $550,851.38 in outstanding attorneys' fees and expenses. JDKG estimates that there will be additional fees through confirmation of approximately $150,000.

As of January 31, 2013, Marilee A. Madan, P.C. ("MM"), general bankruptcy counsel for the Debtor, has noticed and invoiced fees and expenses totaling $353,095.36. No objections have been filed to any of the properly noticed invoices submitted. MM has been paid a total of $128,500.00 with respect to such invoices which amounts to approximately 36%. As of January 31, 2013, MM is still owed $225,595.36 in outstanding attorneys' fees and expenses. MM estimates that there will be additional fees through confirmation of approximately $110,000.

The Committee's counsel has been paid 80% of the invoiced fees and 100% of its expenses through January 31, 2013. As of January 31, 2013, the Committee's counsel is owed approximately $29,094.00 in outstanding fees. The Debtor estimates that the Committee's counsel will have additional fees through confirmation of approximately $100,000.00.

Accordingly, upon Confirmation of the Plan, JDKG shall be paid at least $166,175.69 to bring its payment of fees and expenses to 50%. Also upon Confirmation of the Plan, MM shall be paid at least $48,047.68 to bring its payment of fees and expenses to 50% or such other amount as may be agreed upon and approved by the Court. Thereafter, any allowed Administrative Expense Claim will either be paid at the Closing of the Sale of the Hospital Property or from any other available funds.

b. ***Requests for Allowance of Administrative Expense Claims***

Except as expressly set forth to the contrary in the Plan, each Person, including each Professional, shall file an application for an allowance of an Administrative Expense Claim in conformity with the following:

(i) Professionals. All Professionals shall file a final application for the allowance of a Fee Claim for pre-confirmation services on or before thirty (30) days following the Effective Date of the Plan. Objections to any Fee Claim must be filed and served on the Debtor, the Liquidating Trustee and the Committee, the Secured Creditors and any party requesting notice no later than twenty-one (21) days after the filing of the applicable request for payment of the Fee Claim.

(ii) Other Administrative Expense Claimants. If not already paid, holders of Administrative Expense Claims (other than Professionals and holders of ordinary course trade payables), including, but not limited to officers and management employees of the Debtor who assert right to any further post-

petition salaries or remuneration, shall file an application for the allowance of an Administrative Expense Claim with the Bankruptcy Court on or before thirty (30) days following Effective Date of the Plan. Holders of Administrative Expense Claims, including such Persons asserting a Claim under Section 503(b)(9) of the Bankruptcy Code, who do not file a request by such deadline shall be forever barred from asserting such Claims against the Debtor, the Liquidating Trust or their respective Property and Assets (whether cash or otherwise.) Centurion has previously filed a Motion for Allowance of Administrative Expense with regard to damages Centurion claims it suffered arising out of SBMC's undisclosed prepetition sale of equipment. That Motion has been abated. SBMC anticipates filing a motion seeking the Court to estimate Centurion's Administrative Claim, if any, pursuant to Section 502(c) of the Bankruptcy Code.

2. Priority Tax Claims

a. ***Schedule of Payments***

Each holder of an Allowed Priority Tax Claim, unless payment of the Claim is pursuant to §1129(a)(9)(C) as set forth in the proposed sale of the Hospital Property to SBMC Investments, LLC, shall be paid in full, in Cash if a sale of the Hospital Property occurs to some Person or Entity other than SBMC Investments, LLC; otherwise, as soon as practicable following the later of (a) within thirty (30) days of the Effective Date, (b) the date on which such Claim becomes an Allowed Claim, or (c) such other date as agreed by such holder and the Debtor or the Liquidating Trustee, if applicable.

b. ***Other Provisions Concerning Treatment of Priority Tax Claims***

Notwithstanding the provisions of Section 2.3 of the Plan, the holder of an Allowed Priority Tax Claim will not be entitled to receive any payment of account of any penalty arising with respect to or in connection with the Allowed Priority Tax Claim, except as Allowed under § 507(a)(8)(G) of the Bankruptcy Code. Other than as Allowed under § 507(a)(8)(G), any such Claim or demand for any such penalty (i) will not be paid through this Plan and the holder of an Allowed Priority Tax Claim will not assess or attempt to collect such penalty from the Debtor, any principal of the Debtor who may be liable with Debtor or the Liquidating Trust or their property.

3. Summary of Classification and Treatment of Holders of Allowed Claims and Equity Interests that are Placed in Classes.

The following table sets forth a brief summary of the classification and treatment of Claims and Equity Interests and the estimated Distributions to the holders of Allowed Claims

that are placed in Classes under the Plan. The information set forth in the tables is for convenience of reference only. Each holder of a Claim or Equity Interest should refer to Article V of the Plan, "Provisions for Treatment of Classes of Claims provided under the Plan." The estimates set forth in the table may differ from actual distributions due, among other things, to variations in the amount of Allowed Claims, the existence and resolution of Disputed Claims and certain risk factors potentially impacting recoveries under the Plan, including those described in Section 11 below. Unless otherwise noted, these estimates are as of June 13, 2012, the date the First Amended Schedules were filed.

Class Description	***Treatment Under the Plan***
Administrative Claims Estimated Amount: $1,432,540.74 plus any Broker fee Centurion Disputed Claim = $310,000.00 or more as asserted in pending in Illinois Federal District Court litigation	Unimpaired.
Priority Tax Claims Estimated Amount: $2,279,056.91	Unimpaired.
Ad Valorem Tax Claims Estimated Amount: Harris County – $248,482.58 Spring Branch ISD – $316,139.95 Spring Branch Mgmt. Dist. – $20, 995.04	Unimpaired. Class 3 and 4 retain liens, paid out of closing of the Hospital Property. Debtor may contest the amount of the claims and seek the Court to determine value of the Property on which the tax Lien was imposed.
Class 1 – Priority Claims under § 507(a)(4) Limited to $11,725.00 Estimated Amount: Unpaid Wage Claims –$623,959.24 WARN Act Disputed Claims – capped at $250,000 including $110,000 attorneys' fees	Impaired. Paid out of Property sale proceeds from Liquidating Trust. As soon as practical after Effective Date, the Liquidating Trustee shall pay in Cash, to the extent available, each holder of an Allowed Priority Claim after payment of superior Allowed Claims.

Class 2 – Priority Claims under § 507(a)(5) Limited to $11,725.00 Estimated Amount – $30,000.00	Impaired. Paid out of Property sale proceeds from Liquidating Trust. The Court may be required to estimate any amount, if any, necessary to address any Claims based on pending Federal court ERISA Litigation claims. As soon as practical after Effective Date, the Liquidating Trustee shall pay in Cash, to the extent available, each holder of an Allowed Priority Claim, after payment of superior Allowed Claims.
Class 3 – Post petition financing Claim of Briar Capital, L.P. estimated at $1,475,000.00	Unimpaired. Paid out of closing of the Hospital Property or through exercising of their contractual rights.
Class 4 – Secured Claim of Harris County (ad valorem taxes)	Impaired. Paid out of closing of the Hospital Property. Debtor may contest the amount of the Claims filed by Harris County and have the Court to determine the value of the Lien Property. The Class 4 lien shall be retained until the Hospital Property is sold and the Allowed Secured Claim paid.
Class 5 – Secured Claim of Spring Branch Independent School District and Spring Branch Management District	Impaired. Paid out of closing of the sale of the Hospital Property. Debtor may contest the value of the real property for 2013 and seek the Court to determine the extent of the 2013 Tax Claim. The Class 5 lien shall be retained until the Hospital Property is sold and the Allowed Secured Claim paid.
Class 6 – Harborcove Secured Claim Claimed Amount as of Petition Date to April 15 – $1,471,886.90 plus attorneys fees totaling $232,368.00	Impaired. Class 6 Allowed Secured Claim to be paid out of proceeds of the sale of the Hospital Property. A proposed settlement of the amount of Harborcove Lien Claim is contained in the Plan. Until the Allowed Secured Claim, when finalize, is paid, Class 6 will retain its lien on the Hospital Property or the Proceeds thereof in its present priority.

Class 7 – Virgo Secured Claim Estimated amount – $0.00	Unimpaired. Class 7 Allowed Secured Claim was paid out of Proceeds of sale of MOB Property.
Class 8 – Westlane Secured Claim Estimated amount – $850,000.00 plus interest	Impaired. Class 8 Allowed Secured Claim to be paid out of Proceeds of sale of the Hospital Property. Class 8 will retain its lien on the Hospital Property in the priority to which it is entitled.
Class 9 – Secured Claim of Texas Workforce Commission Estimated Amount – $94,679.60 plus any interest	Impaired. Class 9 Allowed Secured Claim is to be paid out of Closing of sale of the Hospital Property. The lien of Class 9 shall be retained in order of its priority until the Class 9 Allowed Secured Claim is paid.
Class 10 – Secured Claim of City of Houston Wastewater Estimated Amount – $124,068.48	Impaired. The Class 10 Allowed Secured Claim will be paid out of Closing of sale of the Hospital Property. The Class 10 lien shall be retained in order of its priority until the Class 10 Allowed Secured Claim is paid.
Class 11 – Judgment Lien Claims Estimated Amount ($70,000 is in dispute): $95,943.09	Impaired. Class 11 Allowed Judgment Lien Claims to be paid out of Proceeds of sale of the Hospital Property. To the extent that Debtor contests the amount of the Claims or has avoidance action against such Claims, the Class 11 Claim lien shall be retained in order of priority until the Class 11 Allowed Secured Claim is paid.
Class 12 – M & M Lien Claims Estimated to total $246,855.35	Impaired. Class 12 Allowed M & M Lien Claims to be paid out of Proceeds of sale of Hospital Property. Debtor contests the amount of some of the claims and expects the total of the Claims to be less. The Class 12 Claims will retain their liens in order of priority until the Class 12 Allowed Secured Claims are paid.

Class 13 – General Unsecured Claims Estimated Amount – $4,265,641.28	Impaired. Each holder of a Class 13 Allowed Unsecured Claim shall receive its Pro Rata share up to the Allowed Amount of such Claimant's Allowed Claim from Proceeds of sale of Property and sale of Assets turned over to a Liquidating Trust, after payment of Allowed Administrative Claims, Allowed Secured Claims, Allowed Priority Tax and Ad Valorem Claims Allowed Claims (inclusive of, but not limited to, Allowed Claims in Classes 1 – 12) no later than 120 days from receipt of the funds into the Trust unless Court Ordered otherwise. If the Hospital Property is transferred to the Liquidating Trust as a result of the proposed sale of the Property failing to close, the Liquidating Trust will have to liquidate such property before disbursement.
Class 14 – Equity Interests	Unimpaired. Distribution to Class 14 is unlikely to occur, but if there are sufficient proceeds to pay all Allowed Claims of superior Classes in full, Equity may receive disbursement.

Attached hereto and incorporated herein by reference as **Exhibit "B"** is a Claims Distribution/Feasibility Analysis which summarizes the effect of the proposed sale of the Hospital Property. The amount available for payment of Class 13 unsecured claims is estimated to be between $2,265,806.21 and $2,130,361.61.

Holders of Claims in Classes 1, 2, 4, 5, 6, 8, 9, 10, 11, 12 and 13 are Impaired by the Plan. Under Section 1126(f) of the Bankruptcy Code, holders of Equity Interests in Class 14 are conclusively deemed to have accepted the Plan. Holders of Claims in Class 3 and 6, to the extent that Class 6 is paid at closing of the sale of the MOB Property, are Unimpaired and not entitled to vote on the Plan.

4. Insider Claims Filed

McVey & Company Investments, L.L.C. is the managing member of SBMC Healthcare, LLC. Marty McVey ("McVey") is the equity owner of SBMC Healthcare, LLC. Because SBMC Healthcare owned a critical care hospital facility, McVey was the President and CEO of SBMC. Under SBMC's Articles of Formation and the Company Agreement, McVey and other officers are indemnified for claims arising in connection with the performance of their duties as an officer. Also, McVey executed various guaranties of SBMC obligations, including the obligations evidenced by notes or other credit agreements with Harborcove, Virgo and Tara

Energy. McVey & Company Investments, L.L.C. has been sued by Luby's, by the WARN Act Litigation claimants by GHEP and by Centurion (all as discussed above). McVey has been sued individually in the WARN Act Litigation and by Virgo, GHEP, Tara Energy and Centurion. The following proofs of claim have been filed by officers of SBMC:

- On or about September 11, 2012 Christopher Ashby, the CFO to SBMC, filed a proof of claim in the amount of $50,000 as an unsecured claim for indemnification and contribution for expenses to defend various litigation claims. The claim is docketed as claim no. 236 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about July 22, 2012, Marty McVey, CEO and equity holder of SBMC, filed a proof of interest asserting that he owned 100% of the equity in SBMC Healthcare, LLC. The proof of interest is docketed as claim no. 147 on the official claims register maintained in this Chapter 11 bankruptcy case. Under the proposed Asset Purchase Agreement, Mr. McVey is proposing to waive this claim if SBMC Investments is successful in acquiring the Hospital Property.

- On or about September 11, 2012 Marty McVey, CEO and equity holder of SBMC, filed a proof of claim in the amount of $3,228,371.00 as an unsecured claim for indemnification and contribution for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 237 on the official claims register maintained in this Chapter 11 bankruptcy case.

- Also on or about September 11, 2012 Marty McVey filed a proof of claim in the amount of $2,089,341.62 as an unsecured claim for a note in the amount of $450,000 plus additional contributions or sums as have been advanced to SBMC Healthcare, LLC. The claim is docketed as claim no. 251 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about September 11, 2012 McVey & Co. Investments, LLC, manager of SBMC, filed a proof of claim in the amount of $1,999,326.20 as an unsecured claim for indemnification and contribution for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 238 on the official claims register maintained in this Chapter 11 bankruptcy case.

- On or about September 11, 2012 Richard Garfinkel, the general counsel and VP to SBMC, filed a proof of claim in the amount of $50,000 as an unsecured claim for indemnification and expenses for defending various litigation claims and for indemnification for litigation related to various guaranty agreements. The claim is docketed as claim no. 239 on the official claims register maintained in this Chapter 11 bankruptcy case.

The Committee's counsel has advised SBMC through its counsel that the Committee is considering objections to some of the above-described claims in amount and so as to determine whether the claims are entitled to any treatment and/or the same treatment and in the same

priority as Class 13, the Unsecured Claim Class. The Liquidating Trustee may also object to the claims.

E. Distribution Provisions

1. Distributions

All Distributions under the Plan shall be made either at closing of the sale of Hospital Property as to Secured Claims or shall be made by the Debtor pursuant to an Order authorizing Distribution or by the Liquidating Trustee pursuant to the terms and provisions of the Plan; *provided, however,* that no Distribution shall be made on behalf of any Claim which may be subject to disallowance under Section 502(d) of the Bankruptcy Code.

2. Distributions of Cash

All Distributions of Cash to be made by the Liquidating Trustee pursuant to the Plan shall be made by check or wire transfer from the Title Company (at closing of the sale of any Property), from the Debtor's bank accounts until funds are transferred into the Liquidating Trust account.

3. Distributions on a Subsequent Distribution Date

Pursuant to the provisions set forth in the Plan, when and to the extent that Cash or other Assets are available, the Debtor, if prior to the commencement of the Liquidating Trust, or the Trustee if the commencement of a Liquidating Trust has occurred, shall distribute Cash to the holders of Claims entitled to Distributions under the Plan that were Allowed on or before the Effective Date or subsequently have become Allowed Claims in accordance with the Schedules, treatment and priority of Claims established by the Plan.

4. Distributions on the Final Distribution Date

Pursuant to the provisions set forth in the Plan, to the extent that Cash is available after distribution of any and all Assets to be distributed under the Plan, the Liquidating Trustee shall establish a final Distribution date (the "Final Distribution Date") upon which the Liquidating Trustee shall distribute such Cash or other Assets first to the holders of Claims entitled to Distributions under the Plan that are Allowed in accordance with the treatment and priority of Claims established by the Plan and any remainder to the Equity Interest holder.

5. Delivery of Distributions and Undeliverable Distributions

Distributions to the holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules unless superseded by the address as set forth on the Proof of Claim filed by such holder or by a written notice to the Liquidating Trustee providing actual knowledge to the Liquidating Trustee of a change of address. If an holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the Liquidating Trustee is notified in writing within six months of the Distribution date of such

holder's then current address, at which time all Distributions shall be made to such holder, without interest. All Claims for undeliverable Distributions shall be made within six months after the date such undeliverable Distribution was initially made. If any Claim for an undeliverable Distribution is not timely made as provided herein, such Claim shall be forever barred with prejudice. After such date all unclaimed property shall be applied first to satisfy the costs of administering and fully consummating the Plan, then for Distribution in accordance with the Plan, and the holder of any such Claim shall not be entitled to any other or further Distribution under the Plan on account of such undeliverable Distribution or such Claim.

6. Time Bar to Cash Payments and Disallowances

Checks issued by the Liquidating Trustee in respect of Allowed Clams shall be void if not negotiated within six (6) months after the date of issuance thereof. Requests for reissuance of any check shall be made to the Liquidating Trustee by the holder of the Allowed Claim to whom such check originally was issued, on or before the expiration of six months following the date of issuance of such check. After such date, (a) all funds held on account of such void check shall be applied first to satisfy the costs of administering and fully consummating the Plan, then for Distribution in accordance with the Plan, (b) the Claim of the holder of any such void check shall be disallowed, and (c) such Claimant shall not be entitled to any other or further Distribution on account of such Claim.

7. Minimum Distributions

If a Distribution to be made to a holder of an Allowed Claim on any Distribution Date, excluding the Final Distribution Date, would be $100.00 or less, notwithstanding any contrary provision of the Plan, no Distribution will be made to such Claimant.

8. Transactions on Business Days

If the Effective Date or any other date on which a transaction, event or act may occur or arise under the Plan shall occur on Saturday, Sunday or other day that is not a Business Day, the transaction, event or act contemplated by the Plan to occur on such day shall instead occur on the next day which is a Business Day.

9. Distributions After Allowance

Distributions to each holder of a Disputed Claim, to the extent that such Claim ultimately becomes Allowed, shall be made in accordance with the provisions of the Plan governing the Class of Claims to which such holder belongs.

10. Disputed Payments

If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any Distribution, the Liquidating Trustee may, in lieu of making such Distribution to such Person, make such Distribution into an escrow account until the disposition thereof shall be determined by the Bankruptcy Court or by written agreement among the interested parties to such dispute.

11. No Distribution in Excess of Allowed Amount of Claim

Notwithstanding anything to the contrary herein, no holder of an Allowed Claim shall receive in respect of such Claim any Distribution in excess of the Allowed amount of such Claim.

F. Means for Execution of the Plan

1. Sale of Hospital Property.

As discussed in Section IV.B, the Plan contains a motion to sell the Hospital Property free and clear of Liens Claims and Encumbrances to the extent allowable under Section 363(f) of the Bankruptcy Code. SBMC Investments, LLC has entered into an Asset Purchase Agreement to purchase the Hospital Property from the Debtor. That Asset Purchase Agreement is attached as Exhibit A to the Plan and is incorporated herein by reference. SBMC Investments, LLC proposes to purchase the Hospital Property for the following consideration: the cash sum of $9.90 million dollars, and the assumption of payment of the Proof of Claim filed by the Internal Revenue Service in the amount of $2,262,767.74. The payment of the Internal Revenue Service Claim shall be funded over a five year period in accordance with Section 1129(a)(9)(c) of the Bankruptcy Code. The $9.9 million consideration to be paid requires SBMC Investments, LLC to obtain financing, so the sale is contingent upon SBMC Investments, LLC obtaining the financing and providing its lender with adequate collateral. SBMC has been assured that the purchaser has an investment grade tenant whose lease will be acceptable collateral for the loan. Closing of the proposed sale is scheduled for April 15, 2013, although the Court could authorize an extension of that closing date. Upon closing, the Debtor would anticipate paying the Allowed Secured Claims of Classes 3-6 and 7-12 in full. If there are any disputes as to the amount of any of the Claims in those Classes, the Disputed Amount would be set aside and the Liens of those creditors would be transferred to such proceeds. After payment of Classes 3-6 and 7-12, the balance of the sale proceeds would be transferred to the Liquidating Trust for payment and/or disposition of all Claims. To the extent that a Claim is Allowed and can be paid, the Liquidating Trustee will determine when and in what amount distribution can be made. It is the goal of the Plan to have Distribution completed within six (6) months.

Marty McVey is a principle of SBMC Investments, LLC. Mr. McVey is the equity owner of SBMC Healthcare, LLC and the CEO of the Hospital and, therefore, an insider as defined under the Bankruptcy Code. As part of the Asset Purchase Agreement, Mr. McVey is waiving the proof of claim docketed as Claim No. 251 filed on or about September 11, 2012, by Marty McVey in the amount of $2,089,341.62 as an unsecured claim.

The Plan provides for an overbid process by which any party seeking to purchase the Hospital can appear at the Confirmation Hearing and overbid the sale price of the Asset Purchase Agreement. To participate in the overbid process, a potential purchaser would have to be prepared to pay the overbid amount (or at least $350,000) or the final amount of the sale price which the Court may determine, must present evidence to the Court that it has sufficient financial wherewithal to close the purchase of the Hospital Property, be prepared to execute an Asset Purchase Agreement substantially similar to the one attached to the Plan, place a nonrefundable

deposit of $350,000 with Alamo Title and be prepared to close the sale transaction on or before April 15 2013 or by such date the Court may order.

The following background is being given to aid Creditors in understanding how the sale process has proceeded. In June after the filing of this Bankruptcy Case, SBMC retained Transwestern as the Court appointed broker to market and locate a qualified purchaser for the Hospital Property. Beginning in July, Transwestern set up a data room and created internet information about the availability of the Hospital Property. Transwestern had numerous inquiries and ultimately identified 20 to 30 prospects. Eric Johnson of Transwestern testified in Court on or about August 24, 2012, that he believed that SBMC might receive 5 to 6 letters of intent to purchase the Property. When the Court set a deadline for submission of any bids to purchase the Property for October 8, SBMC received 3 bids, one from Purchase No. 1 in the amount of $15.0 million with a potential 4 month close, one in the amount of $17,000.00 from a governmental entity that would not have closed for 8 months and one from SBMC Investments for $15.0 million. SBMC selected the 2 non-insider offers to designate as its Best Bid and Back Up Bid. SBMC and the Best Bid purchaser entered into an Asset Purchase Agreement which gave a "free look" due diligence period until January 18, 2013. A title issue arose with respect to certain covenants and easements which the Debtor's counsel advised the Best Bid purchaser would be resolved. In the second week of January the Best Bid purchaser advised that it wanted more time to perform due diligence which was problematic for SBMC because of continued costs and the maturity date of the post petition financing. Within 2 days of that conversation, the Best Bid purchaser terminated the Asset Purchase Agreement with SBMC. Thereafter, Mr. McVey sought to reinvigorate the Back Up Bid and an opportunity with a non-profit entity seeking to lease a facility. On or about January 27, 2013, SBMC Investments, LLC tendered to Transwestern a revised letter of intent to purchase the Hospital Property. Since that date, SBMC Investments has tendered the Asset Purchase Agreement attached to the Plan as Exhibit "A" and the Debtor has based its Plan on that sale.

Upon sale of the Hospital Property, the Plan creates a Liquidating Trust and the appointment of a Liquidating Trust on the Effective Date (anticipated to be April 15, 2013 unless shortened or extended by Court order). The Liquidating Trust will come into being if there is no sale on the Effective Date or on such date as the Court may order. All of the Assets and Property of the Estate are being vested into the Liquidating Trust upon that Date and the Liquidating Trustee is charged with sale or other disposition of the Property and Assets for the benefit of distribution to holders of Allowed Claims in order of priority. Until the Effective Date or such date as the Court may set, the Debtor will remain vested with the powers of a debtor in possession and the Official Committee of Unsecured Creditors will remain an active Committee with all of its powers and duties. The Liquidating Trustee shall oversee the sale of the Property, including the Hospital Property if sale had not been concluded by the Effective Date, and Assets vested into the Liquidating Trust. The Liquidating Trust shall be in charge of making distributions on Allowed Claims.

Notwithstanding any other language in this Plan to the contrary, the Property and Assets of the Debtor and of the Estate, including the Hospital Property, shall not vest free and clear of the liens, Claims, or encumbrances provided for in, or arising under, the Amended and Restated Restrictive Covenants and Reciprocal Easements between Debtor and HR Acquisition of San Antonio, Ltd., as approved by the Court in, and as attached to, the *Order Granting Joint Motion to Approve Compromise and Settlement Between SBMC Healthcare, LLC and HR Acquisition of*

San Antonio, Ltd., entered in this Bankruptcy Case on February 14, 2013, as Docket Entry No. 883 as will be amended subsequently.

The Debtor in its Plan is proposing Lee Ball to be appointed Liquidating Trustee. Mr. Ball has served in management of and/or consulting positions of operating companies both in and out of bankruptcy and has the requisite accounting experience to oversee the allowance of Claims process. Further, bankruptcy trustees have utilized the services of Mr. Ball to aid in the liquidation of real estate. Mr. Ball has operated surgery centers and is able to provide an engineer familiar with hospital equipment in connection with his engagement if approved as Liquidating Trustee. Mr. Ball has never been involved with the Debtor nor any officers or directors, does not know Mr. McVey or any other employee of the Debtor and has no connections with the United States Trustee. Mr. Ball has no interests that are adverse to the estate and thus would qualify as a disinterested person under the Bankruptcy Code. Mr. Ball is well qualified to serve as Liquidating Trustee based on his independence and extensive background serving in similar capacities and operating surgery centers.

a. ***Responsibilities and Powers of the Liquidating Trustee***

In the exercise of its authority on behalf of the Plan estate, the Liquidating Trustee, upon appointment, shall have, consistent with other provisions of the Plan, the following responsibilities and powers: the sale of the Hospital Property, overseeing allowance of Claims and disbursement of the proceeds and liquidating of Assets, including through prosecution of Chapter 5 actions, including but not limited to, Causes of Action arising under Chapter 5 of the Bankruptcy Code, including those actions which could be brought by the Debtor under §§ 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 and 553 which may be brought against any entity for, among other things, receiving a transfer from any of the Debtor during the four years prior to bankruptcy, including but not limited to insiders, employees, officers, and equity holders of the Debtor. They also include all applicable State and Federal court causes of action if deemed beneficial to the Trust, placed into the Liquidating Trust for the benefit of holders of Allowed Claims. Once all of the Liquidating Trust Assets have been liquidated and the proceeds have been disbursed, the Liquidating Trustee shall file his final report and accounting along with any necessary tax returns and close the Trust. Specifically, the Liquidating Trustee shall:

1) Consult with the Debtor's representatives and others as the Liquidating Trust deems reasonable and necessary in disposing of Assets and in pursuing litigation;

2) make all Distributions contemplated under the Plan;

3) establish and maintain any reserves called for under the Plan, and such other reserves as determined to be prudent and/or necessary with approval of the Court;

4) enter into any agreement required by or consistent with the Plan and perform any obligations thereunder;

5) participate as a party-in-interest in any proceeding before

the Bankruptcy Court, or other court of competent jurisdiction, involving the Debtor and/or the Liquidating Trust;

6) employ such professionals, agents or employees (including retention of any Professionals retained during the Chapter 11 Case) as deemed necessary to carry out the provisions of the Plan and pay reasonable compensation to such persons from Assets of the Estates;

7) carry out and enforce the provisions of the Plan and consummate the Plan;

8) if necessary to perform his duties, propose any amendment, modification or supplement to the Plan;

9) exercise such other powers and duties as are necessary or appropriate in the Liquidating Trustee's discretion to accomplish the purposes of the Plan;

10) pursue any Right of Action of the Debtor and compromise and settle any Right of Action in a manner consistent with the Plan;

11) open and maintain bank accounts as necessary to effectuate the Plan, including accounts in the name of the Liquidating Trust;

12) carry insurance coverage, including fiduciary insurance, as is normal and customary and in such amounts as deemed advisable;

13) maintain appropriate records and account books relating to the consummation of the Plan, including records of all Distributions made or contemplated under the Plan and all transactions undertaken by the Liquidating Trustee, acting as Liquidating Trustee; and

14) exercise such other powers and duties as are necessary or appropriate in the Liquidating Trustee's discretion to accomplish the purposes of the Plan:

(i) management of and control over the Assets of the Liquidating Trust;

(ii) consistent with maintaining the value and liquidating the Trust Assets, invest funds of

the Estates consist with the guidelines established by the Office of the United States Trustee,

(iii) sell and dispose of the Assets of the Liquidating Trust, including abandoning any Assets that are burdensome to the Liquidating Trust;

(iv) when required, act in the name of or in the place of the Debtor in any action before the Bankruptcy Court and/or any other judicial or administrative body;

(v) pay all taxes, make all tax withholdings and file all tax returns and tax information that is necessary for any returns;

(vi) pay all lawful expenses, debts, charges and liabilities of the Debtor, if required, and the Liquidating Trust;

(vii) protect and defend any assets of the Liquidating Trust; and

(viii) maintain the Debtor's Records as necessary.

b. ***No Bankruptcy Court Approval***

Except as otherwise provided in the Plan, the Liquidating Trustee may perform any of his/her responsibilities and exercise any of his/her powers, including compromise and settlement powers without further Court approval, but shall give the Debtor prior notice of any settlement of any Claim in excess of $15,000.00 and afford Debtor time to file an objection with the Court.

c. ***Compensation of Liquidating Trustee and its Professionals***

In addition to reimbursement for the actual out-of-pocket expenses incurred, the Liquidating Trustee and any employees or professionals engaged or retained by the Liquidating Trustee, shall be entitled to reasonable compensation for services rendered. The compensation of the structure of the Liquidating Trustee shall be Court approved. The Liquidating Trustee's professionals shall be entitled to reimbursement for out-of-pocket expenses incurred and reasonable compensation for services rendered on the same economic terms as is normal and customary for such professionals. The Liquidating Trustee and all professionals employed by the Liquidating Trustee shall be entitled to payment of their post-Effective Date fees and expenses from the Liquidating Trust on a monthly basis upon notice to the Debtor and allowing 10 days for objections, if any, to be made. If objection is made, then the payment will require

authorization by the Bankruptcy Court. Otherwise, the payment shall proceed without further notice to, action or approval of the Bankruptcy Court.

d. ***Resignation***

The Liquidating Trustee may resign as Liquidating Trustee under the Plan by an instrument in writing signed by the Liquidating Trustee and filed with the Bankruptcy Court. Such resignation shall become effective ninety (90) days following the giving of such notice or upon the earlier appointment of a successor Liquidating Trustee.

e. ***Removal***

The Liquidating Trustee (including any successor Liquidating Trustee) may be removed at any time with or without cause by the Bankruptcy Court. Any party in interest may apply to the Bankruptcy Court for an order removing the Liquidating Trustee for cause, with the determination of cause left to the reasonable discretion of the Bankruptcy Court.

f. ***Appointment of Successor Liquidating Trustee***

In the event of the death, resignation or removal (prospective or otherwise) of the Liquidating Trustee, any party in interest, any professional for the Liquidating Trustee, the Liquidating Trustee and/or the United States Trustee may seek to designate a successor Liquidating Trustee, and the Bankruptcy Court shall appoint a successor Liquidating Trustee. Any successor Liquidating Trustee appointed hereunder shall execute, acknowledge and deliver to the Bankruptcy Court and to the retiring Liquidating Trustee an instrument duly accepting such appointment and agreeing to be bound by the terms of the Plan and thereupon such successor Liquidating Trustee, without further act, deed or conveyance, shall become vested with all of the rights, powers, trusts and duties of the Liquidating Trustee.

2. Further Orders

Upon motion by the Debtor or after the Effective Date the Liquidating Trustee, the Bankruptcy Court may enter such other and further orders as may be necessary or appropriate to facilitate the consummation of the Plan.

3. Post-Effective Date Reports, Final Decree

The Liquidating Trustee, or the Debtor if required and this Chapter 11 case is not closed, shall file and serve upon the United States Trustee periodic status reports in substantially the form provided by the United States Trustee from the Effective Date until entry of a final decree, unless otherwise ordered by the Bankruptcy Court. The Liquidating Trustee shall file an application for a final decree closing the Case, and shall serve the application together with a proposed final decree on the master service list.

4. Discharge of Liquidating Trustee

Upon the final decree closing the Case becoming a Final Order, the Liquidating Trustee shall be discharged and released from all further duties arising from or relating to the Plan. Upon entry of a final decree closing the Case, the Liquidating Trustee and his/her professionals shall be released or discharged from all claims arising from their actions prior to entry of the final decree except for liability that results from bad faith, willful misconduct or gross negligence.

5. Corporate Action

Each of the matters provided for under the Plan involving corporate action to be taken by or required of the Debtor, shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by shareholders, creditors, officers or directors of any of the Debtor.

6. Exemption from Certain Transfer Taxes and Recording Fees

Pursuant to Section 1146(a) of the Bankruptcy Code, any transfers from a Debtor to the Liquidating Trust to any other Person or entity pursuant to the Plan, or any agreement regarding the transfer of title to or ownership of any of the Debtor's real or personal property, will not be subject to any document recording tax, stamp tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording tax, or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

7. Withholding and Reporting Requirements

In connection with the Plan, the Liquidating Trustee shall (a) comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority; (b) timely file all tax returns as required by law to be filed; (c) continue to engage accountants or such other Professionals to prepare and file all tax returns as required by law to be filed; (d) take such other actions as are reasonably necessary, including the allocation of sufficient funds, to file such returns; and (e) shall timely pay all taxes arising under any requirements or tax returns applicable to the Plan.

8. Periodic Reports and United States Trustee's Fees

After the Effective Date the Debtor's obligation of filing monthly financial reports with the United States Trustee shall pass to and become the obligation of the Liquidating Trustee and the Liquidating Trustee as applicable and such obligation shall continue following Confirmation until the obligation to pay the United States Trustee's fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6) ends, except such monthly reports will be filed periodically. The Liquidating Trustee shall be responsible for satisfying this obligation on behalf of the Debtor. The Liquidating Trustee shall prepare, sign, and file all Post-Confirmation reports post-Effective

Date and shall pay any U.S. Trustee's fees due and owing from the funds of the Liquidating Trust. Copies of such reports shall be served on the United States Trustee and on any Claimant requesting continued service of same.

9. Assignment and Prosecution of Rights of Action

Pursuant to and in accordance with Sections 105(a), 1123(b)(3), and 114l(b) of the Bankruptcy Code and except as provided below, when the Liquidating Trust comes into existence under the terms of the Plan, all Rights of Action shall be, and hereby are reserved, retained, and vested in the Liquidating Trust for the benefit of holders of Allowed Claims and Allowed Equity Interests pursuant to the terms of the Plan. All Rights of Action shall survive and continue Post-Confirmation, free and clear of all liens, claims, interests, encumbrances, defenses of res judicata, waiver, laches and estoppel, for investigation, prosecution, enforcement, settlement, abandonment, adjustment, or collection by the Liquidating Trust for the benefit of the holders of the Allowed Claims and Allowed Equity Interests. The Liquidating Trust shall be authorized and have standing to pursue Rights of Action on behalf of, and in the name of, the Debtor.

a. ***Notice of Retention of Claims***

Assets of the Debtor shall include the right of Debtor to pursue actions against Persons or entities that pre or post-petition that caused harm to the Debtor and Avoidance Actions. Claimants and other parties in interest are hereby expressly advised and notified that the Liquidating Trustee or the Debtor, shall have the right to investigate, prosecute, enforce, settle, adjust, collect, or otherwise dispose of the Rights of Action. At this time, no determination has been made to pursue any particular Rights of Action. The Debtor's rights contained in this paragraph are subject to the Liquidating Trustee and/or Court approval.

b. ***Reservation of Rights of Action***

The Liquidating Trust specifically reserves the Rights of Action and expressly reserves such rights to survive beyond Confirmation, the finality of Confirmation, and all other legal effects of such Confirmation. The Liquidating Trust and its respective counsel shall have the right to investigate, pursue, prosecute and collect any unknown, but later discovered, Rights of Action against any Person.

c. ***Notice in Confirmation Order***

The Court shall include in the Confirmation Order appropriate provisions incorporating the terms set forth in the Plan including, but not by way of limitation, the survival of the Rights of Action from the defense of res judicata, waiver, laches, and estoppel as to the Rights of Action and any other unknown but later discovered Claim or Claims after Confirmation and the approval of a grant of derivative jurisdiction for the Liquidating Trustees to prosecute the Rights of Action on behalf of the Debtors.

d. ***Discretion to Pursue or Settle and Immunity of the Parties***

The Liquidating Trustee shall have discretion to pursue or not to pursue, to settle or not to settle, or to try or not to try, and/or to appeal or not to appeal the Rights of Action as they determine in the exercise of his/her business judgment and without any further approval of the Bankruptcy Court thereof, unless the settlement amount is greater than $15,000.00 The Liquidating Trustee and his/her respective attorneys or other Professionals shall have no liability for the outcome of their decisions.

G. Conditions Precedent to Effectiveness of Plan

1. Conditions to the Effective Date

The Effective Date will not occur (and the Date can be extended by Court Order), and the Plan will not be consummated unless and until the following conditions have been satisfied or duly waived:

a. The Confirmation Order, with the Plan and all exhibits and annexes to each, shall have been entered by the Bankruptcy Court, and shall be a Final Order, and no request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending; provided, however, that if the Confirmation Order has not become a Final Order because a notice of appeal has been timely filed and the parties are not stayed or enjoined from consummating the Plan, the Plan shall be deemed satisfied unless the effect of the appeal could reasonably be expected to be adverse to the business, operations, property, condition (financial or otherwise) or prospects of the Debtor and any Liquidating Trust.

b. All actions, documents and agreements necessary to implement the Plan shall be in form and substance reasonably satisfactory to the Debtor and/or Liquidating Trustee, if necessary, and shall have been effected or executed as applicable.

H. Treatment of Executory Contracts and Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided in the Confirmation Order, pursuant to Sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all remaining Executory Contracts and Unexpired Leases as such terms are used in Section 365 of the Bankruptcy Code that exist between the Debtors and any entity shall be deemed rejected as of the Effective Date, except for any Executory Contract or Unexpired Lease (i) that has been assumed, assumed and assigned or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date, or (ii) as to which a motion for approval of the assumption, assumption and assignment or rejection has been filed prior to the Effective Date. Any claims arising from the rejection of an Executory Contract or Unexpired Lease ("Rejection Claims") shall be classified in Class 13 under the Plan.

2. Bar Date for Filing Rejection Claims

A Proof of Claim asserting a Rejection Claim shall be filed with the Debtor on or before the thirtieth (30th) day after notice of rejection or be forever barred from assertion of any Rejection Claim against and payment from the Liquidating Trust.

3. Provisions Relating to Assumption Cure Claims

Any monetary amounts by which any executory contract and unexpired lease to be assumed under the Plan is in default shall be satisfied, under Section 365(b)(l) of the Bankruptcy Code, by the Debtor on or before the Effective Date; provided, however, if there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of a Liquidating Trustee or any assignee to provide "adequate assurance of future performance" (within the meaning of Section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, cure such dispute shall be resolved at the Confirmation Hearing.

I. Procedures for Resolving and Treating Disputed Claims

1. Objections to Claims

The Debtor, the Committee, or the Liquidating Trustee shall have the right to object to Claims including but not limited to objections regarding the allowance, classification or amount of Claims, subject to the procedures and limitations set forth in the Plan, the Bankruptcy Rules, and the Bankruptcy Code; *provided, however,* that the deadline for filing objections to Claims shall be ninety (90) days after the Effective Date, unless further extended by the Bankruptcy Court upon notice to the holders of the 20 largest general Unsecured Claims and all others requesting notice pursuant to Bankruptcy Rule 2002. All such objections shall be litigated to a Final Order except to the extent the Debtor and the Liquidating Trustee, in his/her discretion, elect to withdraw any such objection or compromise, settle or otherwise resolve any such objection, in which event the Debtor and/or Liquidating Trustee may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court of any amount less than $15,000.00, but an amount over such amount shall require Court approval. The Court will enter an Order resolving any objections to Claims made by the Debtor, or if made by the Liquidating Trustee on any objection where the allowance of the Claim is greater than $15,000.

2. No Distribution Pending Determination of Allowance of Disputed Claims; Distributions to be Made on Undisputed Balances of Partially Disputed Claims

No proceeds shall be distributed under the Plan on account of any Disputed Claim, unless and until such Claim becomes an Allowed Claim.

3. Reserve Accounts for Disputed Claims

On or prior to the Distribution Date, the Liquidating Trustee with approval of the Court shall reserve Cash in an aggregate amount sufficient to pay each holder of a Disputed Claim (a) the amount of Cash that such holder would have been entitled to receive under the Plan if such

Claim had been an Allowed Claim on the Distribution Date, or (b) such lesser amount as the Court may estimate or may otherwise order (the "Disputed Claims Reserve").

4. Investment of Disputed Claims Reserve

The Liquidating Trustee shall be permitted, from time to time, to invest all or a portion of the Cash in the Disputed Claims Reserve in United States Treasury Bills (or in a fund that invests substantially all of its assets in United States Treasury securities), interest-bearing certificates of deposit, tax exempt securities or investments permitted by Section 345 of the Bankruptcy Code, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate risk. All interest earned on such Cash shall be held in the Disputed Claims Reserve and, after satisfaction of any expenses incurred in connection with the maintenance of the Disputed Claims Reserve, including taxes payable on such interest income, if any, shall be transferred out of the Disputed Claims Reserve and shall be used by the Liquidating Trustee in accordance with the Plan.

Certain claimants holding disputed administrative or priority claims are parties to pending litigation against SBMC in courts other than this Bankruptcy Court. In those pending cases, the claimant seeks to liquidate contingent or unliquidated claims. The Plan contemplates setting up a reserve for Disputed Claims, but also provides for this Bankruptcy Court to determine any contingent or unliquidated claim pursuant to Section 502(c) of the Bankruptcy Code. Section 502(c) states that the Court shall estimate for purpose of allowance (1) any contingent or unliquidated claim, the fixing or liquidation of which, as the case may be, would unduly delay the administration of the case; or (2) any right to payment arising from a right to an equitable remedy for breach of performance. Among Disputed Claims in this category are the claims asserted by Centurion and the Reedy/Bell ERISA Litigation Claimants. The Court may decide, if requested, to estimate those claims under the Plan, as they affect distribution rights of other Classes of Creditors and interfere with administration of the Plan and prompt payment of Allowed Claims whose right to payments is inferior to Administrative Claims. SBMC cannot anticipate what action the Court will take.

5. Allowance and Payment

Except as otherwise provided herein, if, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall, within thirty (30) days after the date on which such Disputed Claim becomes an Allowed Claim or as soon thereafter as is practicable and funds are available distribute to the holder of such Allowed Claim the amount of distributions that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

6. Release of Excess Funds from Disputed Claims Reserve

If at any time or from time to time after the Effective Date, there shall be Cash in the Disputed Claims Reserve in an amount in excess of the amount which the Liquidating Trustee is required at such time to reserve on account of Disputed Claims under the Plan or pursuant to any order of the Bankruptcy Court, the Liquidating Trustee may release such funds, if available, to be distributed pursuant to the Plan.

7. Estimation

The Debtor, the Committee, the Liquidating Trustee may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether there has been a previous objection to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidating Trustee may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved without further order of the Bankruptcy Court as provided in the Plan.

J. Modification of Plan

The Debtor may propose amendments to or modifications of the Plan under Section 1127 of the Bankruptcy Code at any time prior to the entry of the Confirmation Order. After the Confirmation Date, the Debtor or the Liquidating Trustee may remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and intent of the Plan so long as the interests of Claimants are not materially and adversely affected.

K. Allocation of Plan Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, for United States federal income tax purposes, be allocated to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

L. Post-Confirmation Actions, Reports and Final Decree

After the Effective Date, the following events shall occur:

1. Final Report

Before or upon completion of all distributions provided for herein, the Liquidating Trustee shall file a report of final distribution with the Bankruptcy Court, with service on the United States Trustee, and any Claimant who requests a copy of same.

2. Request for Post-Confirmation Notices and Filings

After the Effective Date, no Claimant will be served any notices, motions, reports or other filings in the Bankruptcy Court except as set forth in the Plan. Any Claimant or other party-in-interest who desires service of post-Effective Date notice(s) required in the Plan must deliver a written request to the Debtor and/or Liquidating Trustee requesting service of such notices.

V. CONFIRMATION OF THE PLAN

A. Introduction

The Bankruptcy Code requires a bankruptcy court to determine whether a plan complies with the technical requirements of chapter 11 of the Bankruptcy Code before such plan can be confirmed. It requires further that a disclosure statement concerning such plan is adequate and includes information concerning all payments made or promised by the plan proponent in connection with the plan. If the Plan is confirmed, the Debtor expects the occurrence of the Effective Date to depend on when the Debtor has closed on the sale of the Property. To confirm the Plan, the Bankruptcy Court must find that the requirements of the Bankruptcy Code have been met. Thus, even if the requisite vote is achieved for the Voting Classes, the Bankruptcy Court must make independent findings respecting the Plan's conformity with the requirements of the Bankruptcy Code before it may confirm the Plan. Some of these statutory requirements are discussed below.

B. Voting

Pursuant to the Bankruptcy Code, only holders of Allowed Claims or Equity Interests that are Impaired under the terms and provisions of the Plan and that receive distributions thereunder are entitled to vote for acceptance or rejection of the Plan. A holder of a Claim or Equity Interest whose legal, equitable, or contractual rights are altered, modified or changed by the proposed treatment under the Plan or whose treatment under the Plan is not provided for in Section 1124 of the Bankruptcy Code is considered Impaired. Pursuant to Section 1126(t) of the Bankruptcy Code, holders of Claims that are Unimpaired are conclusively presumed to have accepted the Plan and are not entitled to vote. Votes on the Plan will be counted only with respect of Allowed Claims that (i) belong to a Voting Class or (ii) are otherwise permitted by the Bankruptcy Code to vote.

C. Acceptance

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by holders of at least two-thirds (2/3) in dollar amount, and more than one-half (1/2) in number, of claims of that class that actually vote excluding the vote of any Insider or Affiliate. The Bankruptcy Code defines acceptance of a plan by an impaired class of interests as acceptance by holders of at least two-thirds (2/3) in dollar amount of interests of that class that actually vote. Acceptance of a plan need only be solicited from holders of claims or interests whose claims or interests are impaired and not deemed to have rejected the Plan. Except in the context of a "cram down" pursuant to Section 1129(b) of the Bankruptcy Code, as a condition to

confirmation of a plan the Bankruptcy Code requires that, with certain exceptions, each class of impaired claims or interests accepts the plan. In the event the requisite vote is not obtained as to a particular Class or Classes of Claims or Equity Interests, the Debtor has the right, assuming that at least one Class of Impaired Claims or Equity Interests has accepted the Plan, to request confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan notwithstanding rejection by one or more classes of impaired claims or interests if the bankruptcy court finds that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the rejecting class or classes. This procedure is commonly referred to in bankruptcy parlance as "cram down." As such, if any Voting Class votes to reject the Plan, the Debtor will request confirmation of the Plan under Section 1129(b) of the Bankruptcy Code. The Debtor will proceed with a Section 1129(b) cram down if all classes do not vote to accept the Plan.

D. Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of Section 1129(a) of the Bankruptcy Code have been satisfied with respect to the Plan. Section 1129(a) of the Bankruptcy Code requires that, among other things, for a plan to be confirmed:

- The plan satisfies the applicable provisions of the Bankruptcy Code.
- The proponent of the plan has complied with the applicable provisions of the Bankruptcy Code.
- The plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been disclosed to the bankruptcy court, and any such payment made before the confirmation of the plan is reasonable, or if such payment is to be fixed after confirmation of the plan, such payment is subject to the approval of the bankruptcy court as reasonable.
- The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer or trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office of such individual must be consistent with the interests of creditors and with public policy and the proponent must have disclosed the identity of any insider that the debtor will employ or retain, and the nature of any compensation for such insider.
- With respect to each class of impaired claims or interests, either each holder of a claim or interest in such class has accepted the plan, or will receive or retain under the plan on account of such claims or interests, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would

receive or retain if the debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.

- Each class of claims has either accepted the plan or is not impaired under the plan, subject to the cramdown provisions of the Bankruptcy Code.

- Except to the extent that the holder of a claim has agreed to a different treatment of such claim, the plan provides that allowed administrative claims and priority claims (other than tax claims) will be paid in full on the effective date and that priority tax claims will receive on account of such claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such claim, of a value, as of the effective date, equal to the allowed amount of such claim.

- If a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class.

- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

Subject to receiving the requisite votes in accordance with Section 1129(a)(8) of the Bankruptcy Code and the "cram down" of Impaired Classes voting against the Plan or not receiving any Distribution under the Plan, the Debtor believes that (i) the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, (ii) the Debtor has complied or will have complied with all of the requirements of chapter 11, and (iii) the Plan has been proposed in good faith.

Set forth below is a more detailed summary of the relevant statutory confirmation requirements.

1. Best Interests of Holders of Claims and Equity Interests

The “best interests” test requires that a bankruptcy court find either that all members of each impaired class have accepted the plan or that each holder of an allowed claim of each impaired class of claims will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each Impaired Class of Claims or Equity Interests would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Debtor's chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code and the Debtor's Assets were liquidated by a chapter 7 trustee (the “Liquidation Value”). The

Liquidation Value of the Debtor would consist of the net proceeds from the disposition of the Debtor's Assets, augmented by any Cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Equity Interests would be reduced, first, by the Claims of holders of Secured Claims to the extent of the value of their Collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 cases. Costs of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other Professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred in the Chapter 11 cases that are allowed in the chapter 7 case, litigation costs and claims arising from the operations of the Debtor during the pendency of the Chapter 11 case. The liquidation itself could trigger certain Priority Claims, such as claims for severance pay.

The purpose of this Chapter 11 is to be able to sell the Assets of the Debtor, including the Hospital Property as a potentially operating hospital with an appraised operational value of over $18.0 million. Should the Hospital be required to shut down as an operating facility and no sale of the Hospital Property has occurred, the appraiser of the Hospital Property has opined that its land value would be substantially less than the value of the Hospital in its current state. That amount might not be sufficient to pay all Allowed Administrative Expenses, Allowed Secured Claims and Allowed Priority Claims.

Based on the liquidation appraisal, the Debtor believes that holders of Claims will receive greater value as of the Effective Date under the Plan than such holders would receive under a Chapter 7 liquidation. Attached as **Exhibit "C"**, is a Liquidation Analysis under a forced land sale scenario.

Further, in an actual liquidation of the Debtor, Distributions to holders of Claims would be delayed by the chapter 7 process. This delay would materially reduce the amount determined on a present value basis available for Distribution to creditors. The Debtor believes the value of the liquidation distributions on a present value basis determined as of the projected Effective Date would be less than the value distributable under the Plan to each Class of Claims including, but not limited to, all Secured Claims. The Debtor bases its belief on having obtained qualifying letters of intent to purchase which are being pursued in amounts in excess of $10.0 million.

In sum, the Debtor believes that Chapter 7 liquidation of the Debtor would result in a substantial diminution in the value to be realized by holders of Claims, as compared to the proposed Distributions under the Plan because of, among other factors: (a) the failure to maximize the going concern value of the Debtor's Assets; (b) the liquidation of Assets at a distressed value in Chapter 7; (c) the allowance of Secured Creditors to obtain termination of the automatic stay; (d) additional costs and expenses involved in the appointment of a trustee, attorneys, accountants and other Professionals to assist the trustee in the Chapter 7 cases; (e) additional expenses and Claims, including potential Administrative Expense Claims and Priority Claims, that may arise from the cessation of operations and the conversion of the Chapter 11 cases to Chapter 7; and (f) the substantial time that would elapse before entities would receive any distribution in respect of their Claims. Consequently, the Debtor believes that the Plan will

provide a substantially greater ultimate return to holders of Claims than would Chapter 7 liquidations.

2. Feasibility

Section 1129(a)(ll) of the Bankruptcy Code requires that confirmation of a plan should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor unless such liquidation or reorganization is proposed in the Plan. Debtor is proposing a sale and liquidation as part of its Plan, but the Liquidating Trust will have prospective sales that will either be near fruition or can be pursued to fruition. All Property, including pending sale letters of intent or contracts, and Assets are being transferred and conveyed to a Liquidating Trust. In that event the Liquidating Trustee will liquidate the Assets and Property and make distributions from the proceeds thereof to holders of Allowed Claims. Debtor has worked with brokers and appraisers who have significant experience in the health care industry and has relied on their recommendations that the Hospital Property is more likely to be sold in operating condition. If the Hospital Property cannot be sold as an operating Hospital, the Liquidating Trustee will market the property for development purposes.

3. Acceptance by Impaired Classes

A class is impaired under a plan unless, with respect to each claim of such class, the plan (i) leaves unaltered the legal, equitable and contractual rights to which the claim entitles the holder of such claim or interest; or (ii) notwithstanding a demand for accelerated payment (a) cures any default and reinstates the maturity of the obligation; (b) compensates the holder of such claim for damages incurred on account of reasonable reliance on contractual provisions; and (c) does not otherwise alter legal, equitable or contractual rights. A class that is not impaired under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances to such class is not required.

With respect to the Plan, holders of Claims in Classes 3 and 7 are Unimpaired and are deemed to have accepted the Plan. Holders of Claims in Classes 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13 are Impaired.

4. CramDown

A plan is accepted by an impaired class of claims or interests if holders of at least two-thirds (2/3) in dollar amount and a majority in number of claims or interests in that class vote to accept the plan. Only those holders of claims or interests who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code. The Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of Section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each Class of Claims and Equity Interests that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires,

among other things, that unless a dissenting class of unsecured claims or interests receives full compensation for its allowed claims or interests, no holder of allowed claims or interests in any junior class may receive or retain any property on account of such claims or interests.

With respect to a dissenting class of secured claims, the "fair and equitable" standard requires that holders either (i) retain their liens and receive deferred cash payments with a value as of the effective date of the Plan equal to the value of their interest in property of the applicable estate or (ii) receive the indubitable equivalent of their secured claims.

The "fair and equitable" standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than one hundred percent (100%) of its allowed claims.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equally with respect to other Classes of equal rank. The Debtor does not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

The Debtor intends to seek "cram down" of the Plan on any Impaired Class that does not vote to accept the Plan. Nevertheless, there can be no assurance that the Bankruptcy Court will determine that the Plan meets the requirements of Section 1129(b) of the Bankruptcy Code.

5. Classification of Claims

The Debtor believes that the Plan meets the classification requirements of the Bankruptcy Code that require that a plan place each claim into a class with other claims that are "substantially similar."

E. Effect of Confirmation of the Plan

1. Revesting of Assets

Except as otherwise explicitly provided in the Plan, on the Effective Date or such other date set by the Court all property comprising the Estates (including Rights of Action) shall vest in the Liquidating Trust, free and clear of all Claims, Liens and Equity Interests of holders of Claims and Equity Interests (other than as expressly provided herein). As of the Effective Date, the Liquidating Trustee as applicable may operate its business and use, acquire, and dispose of Property and settle and compromise Claims (no greater than $15,000) without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and the Confirmation Order.

2. Anticipated Future of SBMC Healthcare, LLC

SBMC will continue its existence subsequent to confirmation of the Plan and sale of the Hospital as an investment company without the Assets that are being turned over to the Liquidating Trust until such time as Creditors holding Allowed Claims are paid in full. Should

there remain Assets in either trust subsequent to payment in full of Allowed Claims, those remaining Assets will be re-conveyed and transferred to SBMC.

3. Tax Consequences of Plan

SBMC Healthcare, LLC was set up so the net income or loss of its operations flows through to Marty McVey, the equity holder. SBMC purchased the Hospital and related Assets in February 2011. SBMC suffered losses in 2011 and those losses flowed through to the equity owner. The Plan proposes the sale of the Properties which will likely result in gain. It is beneficial for any potential gain to flow through and not be a liability of the Liquidating Trust. If the gain flowed through to the Liquidating Trust, any gain would have to be paid as an administrative expense and could affect distribution to Class 13, the Unsecured Creditor Class.

The Plan will require tax holdbacks for any distribution to any present or former employee with respect to Class 1 Allowed Claims and potentially to any wage or salary Allowed Claims that fall into Class 13, the Unsecured Creditor Class.

4. Discharge of the Debtor

Pursuant to Section 1141 (d) of the Bankruptcy Code and, except as otherwise specifically provided in the Plan or in the Confirmation Order, the rights afforded and the payments and distributions to be made and the treatment under the Plan shall be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge, and release of any and all existing debts and Claims of any kind, nature, or description whatsoever against the Debtor, the Liquidating Trust, their Property, the Debtor's Assets, or the Estate, and shall effect a full and complete release, discharge, and termination of all Liens, security interests, or other Claims, interests, or encumbrances upon all of the Debtor's Assets and Property except as otherwise provided in the Plan. Further, all Persons are precluded from asserting, against the Debtor or the Liquidating Trust or their respective successors, or any Property that is to be distributed under the terms of the Plan, any Claims, obligations, rights, causes of action, or liabilities based upon any act, omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, other than as expressly provided for in the Plan, or the Confirmation Order, whether or not (a) a Proof of Claim based upon such debt is filed or deemed filed under Section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is Allowed; or (c) the Claimant based upon such debt has accepted the Plan. Except as otherwise provided in the Plan or the Confirmation Order, all Claimants arising prior to the Effective Date shall be permanently barred and enjoined from asserting against the Debtor, or its successors or Property, or the Debtor's Assets, any of the following actions on account of such Claim: (i) commencing or continuing in any manner any action or other proceeding on account of such Claim against the Debtor, or the Property to be distributed under the terms of the Plan, other than to enforce any right to distribution with respect to such Property under the Plan; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Debtor or any of the Property to be distributed under the terms of the Plan, other than as permitted under sub-paragraph (i) above; (iii) creating, perfecting, or enforcing any Lien or encumbrance against property of the Debtor or the Liquidating Trust unless specifically permitted under the Plan, or any property to be distributed under the terms of the Plan; (iv) except as to the State of Texas asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due any Debtor its Assets or any other

property of the Debtor or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to, or comply with, the provisions of the Plan. The foregoing discharge, release and injunction are an integral part of the Plan and are essential to its implementation. The Debtor and the Liquidating Trustees shall have the right to independently seek the enforcement of the discharge, release and injunction set forth in the Plan.

5. Binding Effect

As of the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtor, the Liquidating Trust, all Claimants and holders of Equity Interests, other parties in-interest and their respective heirs, successors, and assigns.

6. Term of Injunctions or Stays

Unless expressly modified or lifted by the Bankruptcy Court, all injunctions or stays provided for in the Case pursuant to Sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until no later than September 1, 2013 or such other date the Court may set.

7. Setoffs

Except with respect to Claims specifically Allowed under the Plan, the Debtor or the Liquidating Trustee, as applicable, may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, Claims of any nature whatsoever that the Debtor may have against such Claimant; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor or Liquidating Trust of any such claim that the Debtor or the Liquidating Trust may have against such Claimant.

8. Exculpation

Neither (a) the Debtor nor any of its employees, officers, directors, agents, representatives, affiliates, attorneys, financial advisors, or any other Professional persons employed by the Debtor, nor (b) each Professional for the Debtor or any of their employees, officers, directors, agents, representatives, affiliates, attorneys, financial advisors, or any other Professional persons employed by any of them, (c) the Committee and any members thereof and the creditors represented therefore and (d) each Professional for the Committee or any of their employees, officers, directors, agents, representatives, affiliates, attorneys, financial advisors, or any other Professional persons employed by any of them (the persons identified in (a), (b), (c) and (d) are collectively referred to as "Protected Persons"), shall have or incur any liability to any Person or Entity under any theory of liability for any act or omission occurring on or after the Petition Date in connection with or related to the Debtor, the Cases or the Estate, including but not limited to (i) formulating, preparing, disseminating, implementing, confirming, consummating or administering the Plan (including soliciting acceptances or rejections thereof); or (ii) the Disclosure statement or any contract, instrument, release or other agreement or document entered into or any action taken or omitted to be taken in connection with the Plan

except for acts constituting willful or egregious misconduct and/or willful mismanagement or gross negligence and in all respects such Protected Persons shall be entitled to rely in good faith upon the advice of counsel. In any action, suit or proceeding by any Person contesting any action by, or non-action of, any Protected Person as constituting willful or egregious conduct and/or willful mismanagement or gross negligence or not being in good faith, the reasonable attorneys' fees and costs of the prevailing party will be paid by the losing party; and as a condition to going forward with such action, suit or proceeding at the outset thereof all parties thereto will be required to provide appropriate proof and assurances of their capacity to make such payments of reasonable attorneys' fees and costs in the event they fail to prevail.

9. Indemnification

The Liquidating Trust shall indemnify each Person identified as a Protected Person against any and all costs and expenses (including attorneys' fees) incurred by any of them in defending against post-Confirmation Date claims that are based on actions allegedly taken (or not taken) by them in their respective capacities relating to the Debtor, the Liquidating Trust or the Plan; provided, however, that no Protected Person shall be entitled to indemnification under the Plan for the costs and expenses of defending a cause of action in which it is ultimately judicially determined that such Protected Person was acting outside the scope of their employment, grossly negligent or acted fraudulently or with willful misconduct in performing such Protected Person's duties hereunder or under any Final Order of the Bankruptcy Court or applicable law. Any Protected Person entitled to indemnification under this Section shall have a priority distribution right that is senior to the holders of Allowed Claims in Classes 1, 2 and 13. The Liquidating Trustee may use Debtor’s or Plan Assets (as an expense of consummating the Plan) to purchase indemnification insurance to satisfy any potential indemnification claims that may arise under the Plan.

10. Term of Committee Existence.

Unless otherwise specifically provided in the Plan or the Confirmation Order, the Committee shall continue in full existence, force and effect with its pre-confirmation counsel until the Effective Date or as extended thereafter by the Court. The powers and rights of the Committee shall remain the same post-confirmation as pre-confirmation until the Effective Date or as extended thereafter by Court Order.

11. Continuing Jurisdiction

a. Pursuant to the exception set forth in § 1141(b), The Plan will not vest all Property or Assets of the Estate until the Effective Date or on such Date that the Court orders otherwise. The Debtor shall remain a debtor-in-possession until the vesting of the Property and Assets into the Liquidating Trust. The Court shall retain jurisdiction in the same manner as prior to Confirmation until the Effective Date or other date so ordered by the Court. After the Effective Date, the Court shall retain the jurisdiction as set forth in the Plan.

b. The Automatic Stay remains in place and in force and effect until Effective Date.

VI. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND INCORPORATED BY REFERENCE), PRIOR TO VOTING TO ACCEPT OR TO REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Risk that the Hospital Property will not be sold as an operational facility.

While the Debtor has an Asset Purchase Agreement to sell the Hospital Property, such purchaser or any other purchasers have the right to decide not to close a sales transaction. In that event, should the Debtor or Liquidating Trustee not be able to complete a sale of the Hospital on or before June 1, 2013, the post petition lender and Harborcove have the right to pursue remedies under their respective deeds of trust. A loss of the Hospital Property to such event would dramatically affect any return to Creditors and would likely result in distribution no farther than to Class 1 and that Distributions will be Less than Estimated by the Debtor.

The distributions and recoveries for holders of Claims set forth in this Disclosure Statement are based on the Debtor's estimate of Allowed Claims as of June 13, 2012. The Debtor projects that the Claims asserted against it will be resolved in and reduced to an amount that is significantly lower than its estimates and may seek an order or orders from the Bankruptcy Court estimating the maximum dollar amount of Allowed Claims and Disputed Claims in various Classes or otherwise determining and fixing the amount of any Disputed Claims Reserve. There can be no assurance, however, that such estimates will prove accurate. In addition, if and to the extent the Debtor has underestimated the amount of any Allowed Claims or Disputed Claims, the Debtor could be required to redirect Cash to such Allowed Claims or Disputed

Claims. Therefore, the Distributions discussed herein could significantly and materially differ from the actual Distributions made under the Plan. The Debtor reserves the right to object to the amount or classification of any Claim. Thus, the estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim whose Claim is subject to a successful objection. Any such holder may not receive the estimated distributions set forth herein.

B. Risk of Non-Confirmation of the Plan

If the Plan is not confirmed and consummated, there can be no assurance that the Debtor's Chapter 11 case will continue rather than be converted to a liquidation under chapter 7 of the Bankruptcy Code or that an alternative plan would be on terms as favorable to the holders of Allowed Claims as the terms of the Plan.

C. Non-Consensual Confirmation of the Plan

Pursuant to the "cram down" provisions of Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan without the acceptances of all Impaired Classes of Claims, so long as at least one Impaired Class of Claims has accepted the Plan.

VII. ACCOUNTING AND VALUATION METHODS UTILIZED IN DISCLOSURE STATEMENT

Prior to the filing of this Bankruptcy Case, SBMC utilized the accrual method of accounting. However, after filing SBMC has operated on a cash basis other than accruing payroll taxes and paying those quarterly. Christopher Ashby has been the officer handling the finances of SBMC since early March 2011. SBMC has filed its Monthly Operating Reports each month on the forms required by the Office of the United States Trustee. The first report relating to the April-May 2012 period post-filing of this Bankruptcy Case was filed on June 20, 2012. SBMC is current on the reports through the November 2012 report filed on or about December 20, 2012.

SBMC, with Court approval, retained The Gerald A. Teel Company to appraise SBMC's real property. Mr. Teel, a well-respected and highly qualified appraiser, rendered his opinion of value on the Hospital Property as an operating facility in the amount of $19,200,000.00 as of June 1, 2012. He further appraised the Medical Office Building Property at $1,450,000.00 as of that same date.

Other valuations were based on the books and records maintained by SBMC.

VIII. SOURCES OF INFORMATION UTILIZED IN PREPARATION OF DISCLOSURE STATEMENT

The attorneys and SBMC representatives involved in the preparation of this Disclosure Statement have utilized the books and records of the Debtor, the Schedules and Statement of Affairs as amended, information obtained from Proofs of Claim, appraisals, title reports, loan and security documents, pleadings filed in litigation, testimony adduced in Court proceedings, information obtained from brokers, accountants and other professionals and from creditor

attorneys. SBMC has tried diligently to be as accurate as possible in providing the information, but there may be some inaccuracies that arise because of the uncertainties of litigation, the economic circumstances in the medical services field and the limited personnel involved in the administration of SBMC post petition.

IX. CERTAIN TAX CONSEQUENCES OF THE PLAN

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO THE DEBTORS AND HOLDERS OF CLAIMS. THIS DISCUSSION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"), THE TREASURY REGULATIONS ISSUED (IN FINAL OR TEMPORARY FORM) THEREUNDER, JUDICIAL DECISIONS AND CURRENT INTERNAL REVENUE SERVICE ("IRS") ADMINISTRATIVE DETERMINATIONS IN EFFECT AS OF THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, OR NEW INTERPRETATIONS OF EXISTING AUTHORITY MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DISCUSSED BELOW. THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN ARE UNCERTAIN DUE TO THE LACK OF APPLICABLE LEGAL AUTHORITY AND MAY BE SUBJECT TO ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS THAT DIFFER FROM THE DISCUSSION BELOW. MOREOVER, NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE IRS AND NO LEGAL OPINIONS HAVE BEEN OR WILL BE REQUESTED FROM COUNSEL WITH RESPECT TO ANY TAX CONSEQUENCES OF THE PLAN.

THIS DISCUSSION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTORS OR TO HOLDERS OF CLAIMS. FOR EXAMPLE, THE DISCUSSION PROVIDED BELOW DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, BANKS, SMALL BUSINESS INVESTMENT COMPANIES, MUTUAL FUNDS, REGULATED INVESTMENT COMPANIES, TAX EXEMPT ORGANIZATIONS AND FOREIGN TAXPAYERS. THE DISCUSSION, MOREOVER, IS LIMITED TO FEDERAL INCOME TAX CONSEQUENCES AND DOES NOT ADDRESS STATE, LOCAL OR FOREIGN TAXES.

THIS DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY. THE DEBTOR AND ITS COUNSEL ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN WITH RESPECT TO THE DEBTOR, DIRECTORS OR OFFICERS OF THE DEBTOR OR HOLDERS OF CLAIMS. FURTHER, THE DEBTOR AND ITS COUNSEL ARE NOT RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO CORPORATIONS (INCLUDING THE DEBTOR) IN BANKRUPTCY ARE EXTREMELY COMPLEX AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE. FOR THESE REASONS, THE DISCUSSION IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING

AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PLAN.

A Holder may be subject to backup withholding at applicable rates with respect to consideration received pursuant to the Plan, unless the holder (i) is a corporation or comes within another category of persons exempt from backup withholding and, when required, demonstrates this or (ii) provides a correct taxpayer identification number ("TIN") on Internal Revenue Service Form W-9 (or a suitable substitute form) and provides the other information and makes the representations required by such form and complies with the other requirements of the backup withholding rules. An otherwise exempt holder may become subject to backup withholding if, among other things, the holder (i) fails to properly report interest and dividends for federal income tax purposes or (ii) in certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN. A holder that does not provide a correct TIN also may be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. The federal income tax liability of a person subject to backup withholding is reduced by the amount of tax withheld. If withholding results in an overpayment of federal income tax, the holder may obtain a refund of the overpayment by properly and timely filing a claim for refund with the IRS.

The Debtor and Liquidating Trustee may be subject to other withholding and information reporting obligations with respect to consideration distributed pursuant to the Plan and will comply with all such obligations and information reporting obligations.

X. CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. In addition, other alternatives would involve delay, uncertainty and substantial additional administrative costs. The Debtor urges holders of impaired Claims entitled to vote on the Plan to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received not later than February 18, 2013.

Respectfully submitted on this 7th day of March, 2013,

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ATTORNEYS FOR SBMC HEALTHCARE, LLC

CERTIFICATE OF SERVICE

I, Sara M. Keith, do certify that the foregoing Disclosure Statement was served by ECF notice to all parties entitled to receive ECF notice on the 7th day of March, 2013. Courtesy copies of this document will be presented to the Court after filing before noon on March 8, 2013.

/s/ Sara M. Keith
Sara M. Keith